

# Moments & Momentum



**Metropolitan Transportation Commission**  
2006 Annual Report

# Commissioners

<b>Jon Rubin</b> , Chair San Francisco Mayor's Appointee	<b>Bill Dodd</b> Napa County and Cities	<b>Bijan Sartipi</b> State Business, Transportation and Housing Agency
<b>John McLemore</b> , Vice Chair Cities of Santa Clara County	<b>Dorene M. Giacomini</b> U.S. Department of Transportation	<b>James P. Spering</b> Solano County and Cities
<b>Tom Ammiano</b> City and County of San Francisco	<b>Federal D. Glover</b> Contra Costa County	<b>Adrienne J. Tissier</b> San Mateo County
<b>Irma L. Anderson</b> Cities of Contra Costa County	<b>Scott Haggerty</b> Alameda County	<b>Pamela Torliatt</b> Association of Bay Area Governments
<b>Tom Azumbrado</b> U.S. Department of Housing and Urban Development	<b>Anne W. Halsted</b> San Francisco Bay Conservation and Development Commission	<b>Ken Yeager</b> Santa Clara County
<b>Bob Blanchard</b> Sonoma County and Cities	<b>Steve Kinsey</b> Marin County and Cities	<b>Shelia Young</b> Cities of Alameda County
	<b>Sue Lempert</b> Cities of San Mateo County	



Planning, financing, coordinating and improving transportation  
in the nine-county San Francisco Bay Area

# MTC 2006 Annual Report

Letter From the Executive Director .....	2
2006: Moments & Momentum .....	5
MTC Allocations .....	18
Financial Highlights .....	20
Financial Report .....	23



**ABOUT THE COVER**  
The blur of cars and lights on the San Francisco-Oakland Bay Bridge – seen through the windshield of an AC Transit bus piloted by driver Vanessa Turner (above) – shows momentum and a moment in time. The image captures several newsworthy developments from 2006: the advent of “All Nighter” bus service; progress on the new East Span of the Bay Bridge as well as the reconstruction of the bridge’s antiquated West Approach in San Francisco; the installation of state-of-the-art diesel filters on a dozen Bay Area bus fleets; and the launch of TransLink®, the Bay Area’s smart-card transit fare payment system. You can read more about our year in the following pages.





## Letter From the Executive Director

### HISTORY HITS HOME

On a bright June morning in 2006, I was part of a contingent of local, state and federal officials who gathered at San Francisco's Lincoln Park to celebrate the 50th anniversary of the birth of the Interstate Highway System. This scenic site at the western edge of the continent was chosen because it served as the endpoint for the 1919 First Transcontinental Motor Train, an arduous 62-day cross-country journey that helped forge the vision for a network of modern, uniform highways linking the nation from coast to coast. The leader of that trailblazing trip was a young Army lieutenant colonel named Dwight D. Eisenhower



On hand in San Francisco to commemorate the 50th anniversary of the Interstate Highway System was President Eisenhower's great-grandson, Merrill Eisenhower Atwater (left), as well as Andrew Firestone (right), great-grandson of Harvey Firestone, founder of Firestone Tire & Rubber Company and another "father" of the Interstate System.

— the same man who, as the nation's 34th president, would later sign the bill authorizing the National System of Interstate Highways in 1956.

We had been called there to mark a transportation milestone, but when we realized how far back the lineage of the Interstate Highway System went and how intertwined it was with the career of a major American military and political leader of the 20th century, we became aware of something both older and grander. Somewhat unexpectedly, on that sunny day and at that special place, history suddenly came alive for us.

Now fast-forward to January 4, 2007, when history not only came alive, but happened right in front of us in real time. That was the day that Congresswoman Nancy Pelosi of San Francisco was elected to be the Speaker of the House of Representatives — the first woman, first San Franciscan and first Californian ever to hold that high post. The House vote was truly history-making, and we at MTC salute Ms. Pelosi — enthusiastically and nonpartisanly — on her signal achievement. As it happens, we had but recently (and rather presciently) bestowed on Ms. Pelosi MTC's John Foran Legislative Award, in recognition of her leadership in working across jurisdictional and party lines locally and in Washington to dedicate funding for essential upgrades to the region's infrastructure. Now Ms. Pelosi's talents at building consensus and getting things done will be exercised on the national stage, with far-reaching consequences.

While much has been made, and justifiably, about Ms. Pelosi having broken through Congress' "marble



Having invited the children present at the ceremony to join her on the House dais, newly elected Speaker of the House Nancy Pelosi proudly holds aloft the gavel that symbolizes her new post.

ceiling" to become the first woman speaker, the local importance of her ascension should not be overlooked. As the recently retired former U.S. Secretary of Transportation (and former San Jose Mayor and Congressman) Norm Mineta told the *San Francisco Chronicle*, there is "no question having Nancy Pelosi as speaker will mean a lot of benefits to the San Francisco Bay Area and California in general." Just as the Bay Area was lucky to have had a hometown guy like Mr. Mineta in the pivotal position of transportation secretary — the Cabinet-level post he held for five years before resigning this past July — so too are we fortunate to have an experienced Bay Area legislator like Nancy Pelosi at the helm in Congress.

I should add that I am personally grateful to both of them — to Ms. Pelosi for appointing me last year to the National Surface Transportation Policy and Revenue Study Commission, and to Mr. Mineta for so ably launching this important new panel before he stepped down as transportation secretary. Our task, and it's a big one, is to develop a comprehensive vision of the post-Interstate era and devise ways to fund it. During 2006, my fellow commissioners and I held a number of productive hearings in locations across the country. Our ideas are beginning to take shape, and we will formally release our recommendations to Congress in late 2007.

Meanwhile, in California, voters made a little his-





Senate President pro Tem Don Perata (left) and Governor Arnold Schwarzenegger (right) at the May 2006 bill-signing ceremony for Senate Bill 1266, which placed a \$19.9 billion transportation bond on the November ballot. The bond measure passed with 61 percent of the vote.

tory of their own this past year by saying yes in November to over \$40 billion in infrastructure bonds – with half that total being directed toward transportation. State Senator and President pro Tem Don Perata of Oakland was the principal architect of the \$19.9 billion transportation bond, which had its origins in the Perata-sponsored Senate Bill 1266. Governor Schwarzenegger came to the Bay Area in May 2006 to sign the bill at a ceremony held at the Caldecott Tunnel with Senator Perata and other dignitaries. The governor's signature placed the bill on the November ballot as Proposition 1B, and the voters of California did the rest.

Officially titled the Highway Safety, Traffic Reduction, Air Quality, Port Security Bond Act of 2006, Proposition 1B represents the state's largest invest-

ment in transportation in a generation. Roughly \$4.5 billion of the nearly \$20 billion total is expected to flow to the Bay Area for a variety of transportation improvements over the next decade. As I write this, MTC has just forwarded to the California Transportation Commission (CTC) a list of 18 congestion-relieving highway projects worth \$2 billion that will compete for funds from the newly created Corridor Mobility Improvement Account. We are hopeful that the CTC will approve funding for the great majority of these projects, and we are grateful to Senator Perata, Governor Schwarzenegger and California's far-sighted voters for this opportunity.

While it is fitting that we pay tribute to the historic accomplishments and lasting legacies of leaders like President Eisenhower, Speaker Pelosi, Secretary Mineta, Senator Perata and Governor Schwarzenegger, we also have plenty to celebrate right here at home. MTC made significant progress on a number of fronts last year, and in this annual report we spotlight the high points and milestones of 2006. Taken together, these memorable moments paint a picture of a dynamic transportation agency, one that is wholly committed to improving the lives of Bay Area travelers. And with each such moment we add momentum to our drive for continued progress in the future.

Steve Heminger, *Executive Director*



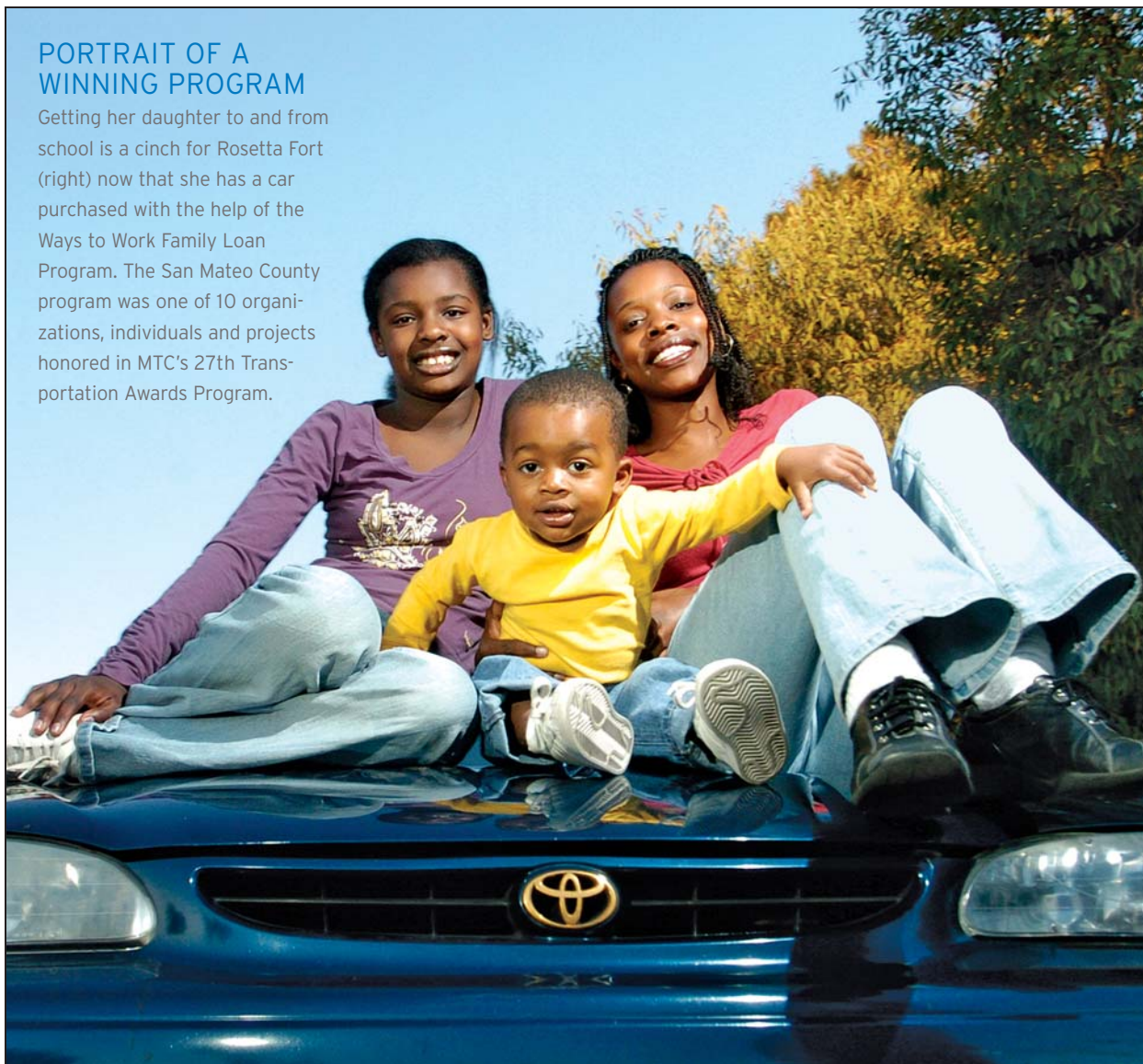
## 2006: Moments & Momentum





## PORTRAIT OF A WINNING PROGRAM

Getting her daughter to and from school is a cinch for Rosetta Fort (right) now that she has a car purchased with the help of the Ways to Work Family Loan Program. The San Mateo County program was one of 10 organizations, individuals and projects honored in MTC's 27th Transportation Awards Program.



## 2006 Was an Event-full Year at MTC

In October, San Francisco's recently restored Ferry Building served as a majestic setting for a biennial MTC ritual – thanking the many individuals, groups and organizations that devote their time, energy and know-how to improving mobility in the nine-county Bay Area. While the 27th Transportation Awards ceremony stands out as the most elegant and heartfelt event of 2006, there were many other newsworthy moments and milestones. Indeed, our busy Public Information Office put

out nearly 50 press releases, or roughly one per week promoting new features of our ever-expanding suite of traveler information services, highlighting study findings, announcing funding decisions and the like. The region's daily newspapers picked up those stories – and dug up many of their own – nearly 1,000 times. And that's just the tip of the iceberg when it comes to taking stock of a year in the life of MTC, highlights of which we present here and on the following pages.

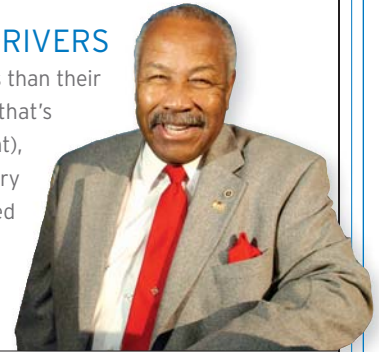


## DATA MAKES HEADLINES

Two press conferences in 2006 reported not-so-good news for Bay Area drivers. In June, MTC and Caltrans released data showing that traffic on Bay Area freeways rose 9 percent in 2005, the fastest rate of increase since 2000. In October, MTC reported that pavement on much of the Bay Area's 19,500 miles of local streets and roads is still marginal, despite modest improvements over the prior year.

## SUMMIT FOCUSES ON SENIOR DRIVERS

True or false: Older drivers cause more accidents than their younger counterparts. The answer is false, and that's just one of the myths that Ernest Bradford (right), a member of MTC's Elderly and Disabled Advisory Committee, set out to bust when he spearheaded the "Summit on Older Drivers." MTC's daylong event in January 2006 drew a full house and lives on in a half-hour DVD available from MTC.



## TRANSPORTATION HEROES HONORED

Marking the 27th year of its biennial awards program, MTC presented 10 awards this year to individuals, groups, projects and organizations that have made exceptional contributions to Bay Area transportation.

This year's winners ranged from U.S. Congresswoman Nancy Pelosi to urban neighborhood activists who reclaimed their local streets, to a high school that convinced students to carpool to school.



## NEW "OWL" TRANSIT SERVICE CRISSCROSSES THE BAY

"Now transit stays up as late as you do." That's the marketing slogan for a new late-night intercity bus service launched at a March 2006 press conference, and funded with the help of \$1.8 million in MTC-administered bridge tolls. Five transit operators – AC Transit, Muni, SamTrans, County Connection and Wheels – teamed up to provide the interlocking network of bus routes that connect BART stations between 1 and 5 a.m., when the regional rail system is shut down.

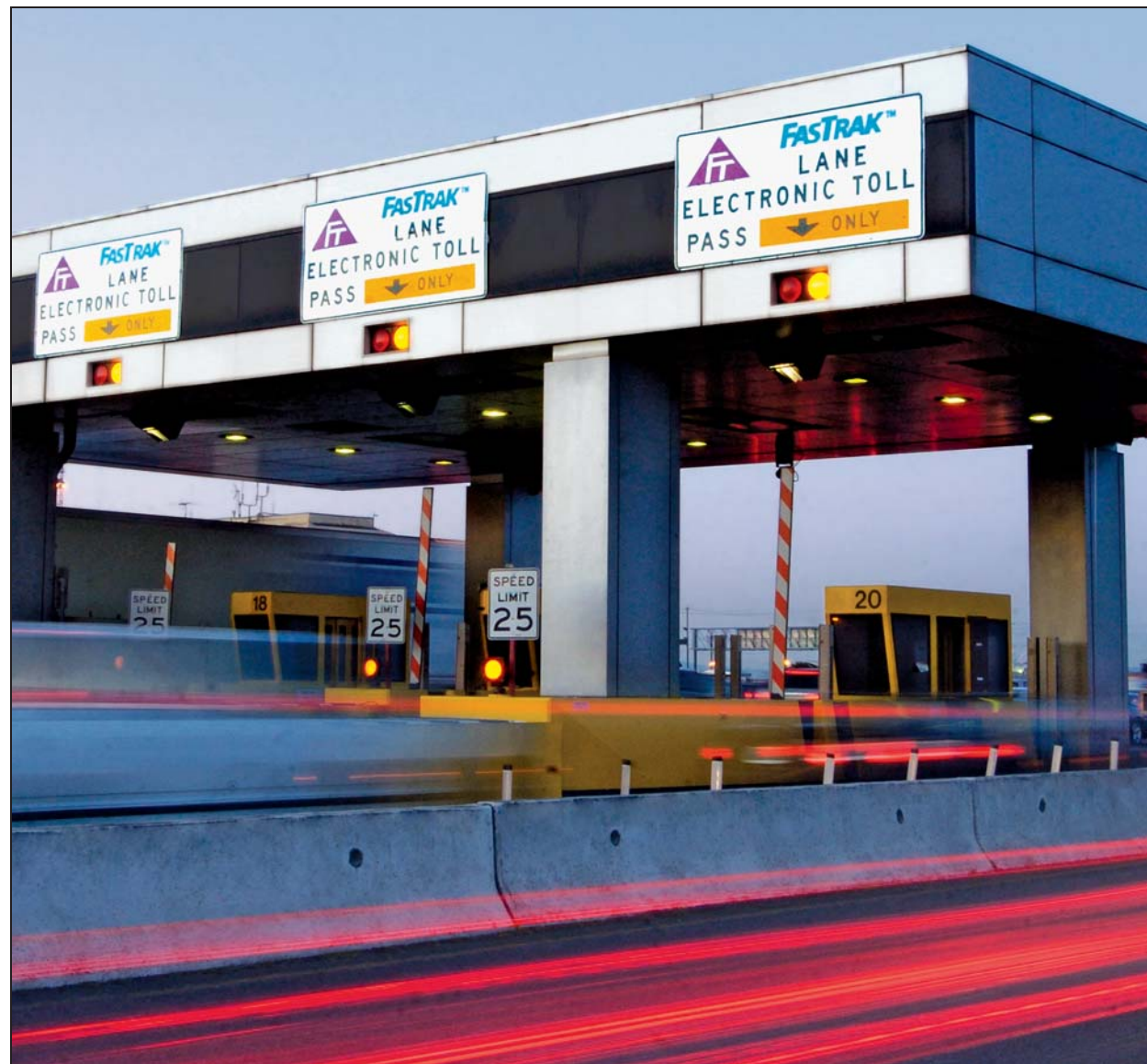


**IF IT'S MAY, IT'S BIKE TO WORK DAY** Tens of thousands of commuters pedaled to work on Bike to Work Day, which fell on May 18 and was sponsored by MTC together with the Bay Area Bicycle Coalition. Business was brisk at the more than 170 "energizer stations," where

passing cyclists could refuel with drinks and breakfast treats, and pick up tote bags stuffed with freebies. Two weeks later, MTC announced the winner of the first Bay Area Team Bike Challenge. The five-member "Critical Macs" of San Francisco beat more than 100 other teams by logging the most bicycle trips in May.







## Electronic Payment Makes Travel Faster and Easier

MTC is on a fast track to enlist Bay Area motorists for FasTrak®, the electronic toll collection program designed to ease congestion at Bay Area bridge toll plazas. With adoption of a two-year strategic plan in the spring of 2006, MTC's Bay Area Toll Authority (BATA) began moving full-speed ahead to meet its goal of boosting the percentage of motorists who pay tolls electronically to 70 percent during peak periods, and 50 percent on weekends. The promotions are already paying off,

with FasTrak® enrollment swelling by over 25 percent in 2006 to 575,000 accounts. Transit riders also are benefiting from MTC's support and development of electronic payment systems. TransLink® – the transit “smart card” that eliminates the need for exact change, paper tickets and transfers – was activated in November on two Bay Area transit systems. MTC plans to expand use of TransLink® to all of the region's transit agencies over the next few years.



**NEW AD CAMPAIGN PLAYS OFF AGE-OLD FABLE**  
Clever TV ad and radio spots featuring a smart, FasTrak®-equipped tortoise and a not-so-clever hare are among the most visible elements of a BATA marketing campaign designed to boost sign-ups. In May 2006, BATA rewarded the lucky person who opened the 500,000th FasTrak® account with \$1,000 in free tolls. At the same time, BATA ran a contest in which one lucky new FasTrak® customer won \$100 in free tolls every day for two weeks.

### FASTRAK® TO THE LEFT, CASH TO THE RIGHT

BATA is teaming with Caltrans to convert more lanes to FasTrak®-only at Bay Area toll plazas as well as to improve lane striping and signage. The goal is to separate FasTrak® traffic and cash toll payers as far upstream of the toll plazas as possible, since FasTrak®-only lanes can handle about three times as many vehicles per hour as lanes where drivers stop to pay cash. BATA also is installing changeable message signs at toll plazas and along approaches to allow flexibility to vary the number of FasTrak®-only lanes as traffic warrants.



### WHERE CAN I GET MINE?

For more convenient FasTrak® enrollment, BATA in October 2006 reduced the minimum initial prepaid balance from \$40 to \$25, and negotiated with Costco and Safeway to offer the toll tags at select stores around the region. If that's not easy enough, customers also can enroll online at 511.org or bayareafastrak.org, by a phone call to 511, or at the walk-in FasTrak® Customer Service Center in San Francisco. Transit riders, too, have multiple choices of where to obtain and add value to TransLink® cards, including through the Web and a network of 75-plus participating retail locations. Both TransLink® and FasTrak® offer automatic reloading via a credit card or bank account.



### SMART CARD, SMART TRAVEL

TransLink®, the Bay Area's smart card for transit, began the first stage of a regionwide rollout in the fall of 2006 with the activation of card readers on some 640 buses operated by AC Transit and the Dumbarton Express as well as on Golden Gate Transit's 195 buses (Golden Gate Ferry terminals were equipped earlier). Next up: BART, San Francisco Muni and Caltrain.

### ROLLING AND TOLLING ALONG

A bold element of the FasTrak® strategic plan is the introduction of open-road tolling – allowing FasTrak® motorists to pass through the toll plaza at highway speeds – beginning at the new Benicia-Martinez Bridge when the span opens later in 2007. This will be the first use of open-road tolling in the Bay Area.







## 511 Travel Information: By Phone, on the Web and en Route

2006 was a banner year for MTC's 511 travel information service. The popular, one-stop phone and Web resource continued to grow its suite of services as well as its customer base. In the spring, MTC announced that 511 Driving Times<sup>SM</sup> – which provides highly accurate point-to-point travel times – had doubled its reach, now covering some 90 percent of area freeways. At the same time, the notion of accessing Driving Times<sup>SM</sup> while in motion – via electronic freeway message signs –

went from the pilot stage to full rollout. The year also saw the introduction of a "Rideshare Rewards" incentive program and a "Friends of 511" community, along with translations of the 511 rideshare and bicycling phone menus and key Web pages into Spanish. In a typical month, Bay Area travelers access 511's wealth of free information on traffic, public transit, bicycling and ridesharing nearly a half-million times by phone, and more than a million times via the Web at 511.org.

### 511 IS MAKING FRIENDS

To help spread the word about 511's free information on transit, traffic, ridesharing and bicycling, MTC is enlisting its best ambassadors – 511 customers. Since the start of the "Friends of 511" recruitment in February of 2006, some 2,500 fans have registered for e-mail updates on new 511 features. And by convincing 10 others to join, members can become a "Best Friend of 511" and get a "fun pack."



### HOW LONG 'TIL WE GET TO THE AIRPORT?

In early 2006, MTC and Caltrans began displaying Driving Times<sup>SM</sup> on 20 electronic freeway message signs, with time estimates for reaching key locations such as airports, downtowns and major interchanges. The system taps data

from FasTrak<sup>®</sup> toll tags (which, in addition to facilitating electronic toll collection, do double-duty as traffic probes) and Caltrans' network of subpavement sensors, among other sources. This year, SpeedInfo Inc. joined the 511 team, installing 300 solar-powered radar traffic sensors along Bay Area freeways.

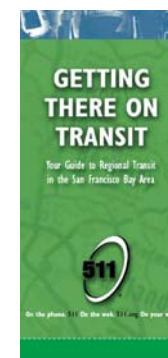
### 511 RIDESHARE OFFERS REWARDS TO CARPOOLERS

In response to MTC's Rideshare Rewards program, 650 commuters joined the ranks of Bay Area carpoolers during the five-month promotion. From May through September, new Bay Area carpoolers received \$10 in gas or Safeway gift cards for every five days they carpooled, up to a maximum of \$100. The good news: Nearly all (87 percent) of these former drive-alone commuters are still sharing rides to work. Based on the program's success, look for a repeat in 2007.



### TRANSIT NETWORK IN YOUR POCKET

A new, updated version of *Getting There on Transit*, MTC's popular, free pocket guide to riding public transit in the Bay Area, began flying off the shelf in March. The handy brochure



packs in several levels of information: an overview diagram of the region's network of two-dozen-plus transit systems, route maps for the largest operators and close-ups of downtown areas.

The guide serves as an adjunct to MTC's 511 phone service: Once you know your routes, you can call 511 to find out the exact schedules and fares.

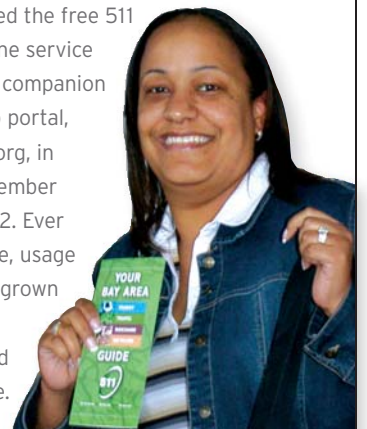


### TRANSIT TRIP PLANNING MADE EASY

The online 511 TakeTransit Trip Planner<sup>SM</sup> continues to grow in popularity, generating 500,000 to 600,000 public transit itineraries a month toward the end of 2006. The interactive service helped earn the 511.org transit portal the annual "Outstanding Internet Presentation Award" in March from the California Geographic Information Association.

### COMMUTER LOGS 10 MILLIONTH CALL

When Lavonda Prier made her daily 511 call to find out about traffic conditions on her commute route from Fairfield to Richmond on Interstate 80 early one morning in March 2006, she had the surprise honor of being the 10 millionth person to call the travel information service. MTC introduced the free 511 phone service and companion Web portal, 511.org, in December 2002. Ever since, usage has grown at a rapid pace.







## Clearing the Air: Thinking Globally, Acting Locally

Bay Area residents enjoyed a breath of fresher air in 2006, thanks to MTC's efforts to protect and improve the region's air quality. With MTC funding and support, the region's transit operators took major steps to reduce diesel bus pollution. In a nation-leading demonstration project, AC Transit in 2006 rolled out three zero-emission, hydrogen fuel-cell buses on East Bay streets. At the same time, a dozen local transit operators have been retrofitting their diesel bus fleets

with state-of-the-art exhaust filters. But upgrading equipment can only go so far; the next frontier is changing commuter habits. Toward that end, MTC ramped up efforts to lure drivers out of their cars on smoggy days by offering free transit rides on six Spare the Air days in the summer of 2006. Ridership jumped 15 percent in response. As 2006 rolled into 2007, MTC and its regional partners also began to confront the daunting challenge of global climate change.

## CONFRONTING CLIMATE CHANGE

Former Vice President Al Gore delivered his now-famous message on the threat of global warming in person at a November 2006 Climate Protection Summit organized by the Bay Area Air Quality Management District and co-sponsored by MTC. In response, MTC has joined with partner agencies to brainstorm on strategies to reduce greenhouse gas emissions from transportation sources. The effort kicks off with a workshop for the public and stakeholders in February 2007, with an action plan due by summer 2007.



## FILTERS REMOVE TONS OF SOOT FROM AIR

At a September 2006 event, San Francisco Mayor Gavin Newsom conducted a successful "white-handkerchief test" on the exhaust pipe of a diesel bus newly outfitted with a high-tech filter that captures harmful emissions. With MTC covering most of the approximate \$30 million cost to install the filters, the region's public transit fleet of diesel buses will emit 50 fewer tons of particulate matter and nearly 450 fewer tons of nitrogen oxides per year.

## TAKING THE HY (AS IN HYDROGEN) ROAD

With support from MTC, AC Transit is leading Bay Area public transit into a hydrogen fuel-cell future where buses emit only pure steam and the only sound is the quiet hum of electric motors. In addition to developing fuel-cell buses, AC Transit and its public and private partners in the HyRoad Project have built two hydrogen energy stations, with a third unit in the works. More fuel-cell buses are in the region's future, thanks to an expanded demonstration involving AC Transit and four other operators: Golden Gate Transit, SamTrans, San Francisco Muni and the Santa Clara Valley Transportation Authority.



## SPARE THE AIR AND SKIP THE FARE

"No fare! Thanks for sparing the air." That was the message that greeted Bay Area transit riders during six smog-alert days in 2006. The all-day, free-ride promotion proved so popular during three Spare the Air days in June that MTC and the Bay Area Air Quality Management District acted quickly to extend the program for three additional smoggy days in July, with MTC doubling its financial commitment to more than \$13 million. The result: On each free-ride day, some 225,000 additional riders hopped aboard buses, trains and ferries, while vehicle trips were reduced by nearly 530,000. The California Council for Environmental and Economic Balance honored the innovative program and its sponsors with the prestigious "Edmund G. 'Pat' Brown Award" for 2006.





## Transforming Smart-Growth Concepts Into Reality

"A great region built from great communities." That slogan captures the mission of MTC, the Association of Bay Area Governments (ABAG) and other partner regional agencies working to promote a more sustainable future for the Bay Area. At the heart of the smart-growth scenario is transit-oriented development (TOD), which emphasizes compact growth in downtowns, town centers and along transit corridors. In 2005, MTC adopted a landmark TOD policy that sets housing

targets for major new, regionally funded transit facilities and lines. At the same time, MTC launched a grant program to help local governments map out plans for mixed-use communities near future transit stations. MTC's innovative TOD Policy was recognized in 2006 with a Transportation Planning Excellence Award from the Federal Highway Administration, the Federal Transit Administration and the American Planning Association as well as a Clean Air Award from Breathe California.

## GRANT PROGRAM AIMS TO STIMULATE HOUSING

In March 2006, MTC hosted a workshop for the eight lucky cities that received funds under the \$2.8 million pilot round of the new Station Area Grant Program. The recipients reported on their progress in developing plans for vibrant, mixed-use transit villages at new rail, bus and ferry hubs. The goal is to stimulate construction of at least 42,000 new housing units along major new transit corridors – thereby helping to cut commutes and ease the Bay Area's chronic housing shortage.



## "NEW PLACES, NEW CHOICES"

As revealed in a handsome new publication issued in the fall of 2006 by MTC and ABAG in collaboration with other regional smart-growth partners, thousands of Bay Area residents are opting to live in compact communities near public transit. Profiles of 10 transit-oriented developments across the region capture the variety and appeal of this new pattern of growth. In words and full-page photos, the *New Places, New Choices* report makes a compelling case for replicating these model projects throughout the region.

## MORE TLC FROM MTC

In September 2006, MTC awarded nearly \$17 million in Transportation for Livable Communities (TLC) capital funds to 11 new projects in cities around the Bay Area. Several of the projects are designed to upgrade pedestrian and bicycle access to transit stations, while others involve streetscape and traffic-calming improvements. Since launching the TLC Program in 1998, MTC has awarded more than \$84 million in grants to some 80 small-scale projects that have a big impact on community vitality.



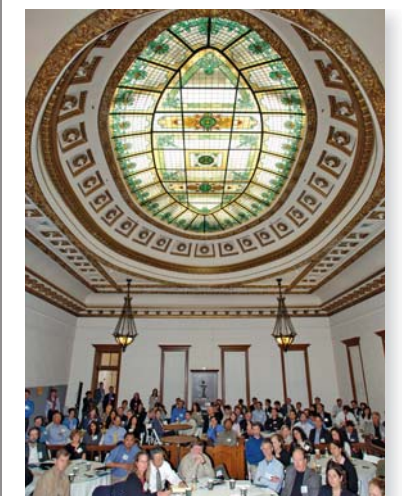
## GIVING WALKERS A LEG UP ON CARS

As the Bay Area strives to create walkable, transit-oriented communities, planners are rethinking outdated parking policies that encourage automobile use and eat up valuable real estate. An MTC planning effort launched in 2006 is surveying best parking practices and helping local jurisdictions apply them. Meanwhile, MTC in 2006 released the Pedestrian Districts Study, which examined ingredients that make 10 model neighborhoods pedestrian-friendly.



## TALKING TOD

Redwood City's historic downtown – a living laboratory for smart, compact development – served as the setting for a TOD symposium in September 2006. Cosponsored by MTC, ABAG and the Urban Land Institute, the sold-out event brought together city officials and private developers.







## Bay Area Bridges Take Beautiful Shape

It takes dozens of intrepid construction workers to build a roadway over swirling Bay waters, but it also takes a small behind-the-scenes army of engineers, project managers and financiers to deliver a public works program on the scale of the bridge rehabilitation and upgrade program now ongoing in the region. As the Bay Area Toll Authority (BATA), the agency is playing a major role in keeping three massive seismic-safety and expansion projects on track. The most glitzy is the new

East Span of the San Francisco-Oakland Bay Bridge, which is really two bridges in one: a sleek Skyway slated for completion in late 2007, and a striking tower element that will eventually join up with it. Less glamorous but every bit as essential seismically is the new and improved West Approach to the Bay Bridge, which threads its way through the sea of buildings in downtown San Francisco. To the north and east, crews are doubling the capacity of the Benicia-Martinez Bridge.

### MAMMOTH LIFT OPERATION CAPS WESTBOUND SKYWAY

A crucial milestone in the building of the Bay Bridge's new East Span was reached in August 2006 when crews carefully hoisted into place the second of two massive, 1,700-ton steel "transitional" deck segments that will join the Skyway with the self-anchored suspension span.



### TOWER BACK ON TRACK

At a joint press briefing with BATA and the California Transportation Commission in April 2006, Caltrans Director Will Kempton signed a letter awarding a \$1.43 billion construction contract for the self-anchored suspension (SAS) span, the crowning piece of the new East Span. The bold and technically challenging SAS – pictured on the cloth backdrop above – had been on hold for many months while the state rebid the contract in an effort to bring down costs.

### NEW BENICIA-MARTINEZ SPAN NEARS COMPLETION

Work continues apace on a second five-lane, causeway-style structure to carry northbound traffic just east of the existing Benicia-Martinez Bridge. By year's end, the \$1.3 billion project (including interchanges) was 90 percent complete, with the ribbon of concrete stretching continuously across the Carquinez Strait. Slated to open later in 2007, the new span will nearly double traffic capacity at this Bay crossing.



### TRICKY OPERATIONS REQUIRE CLOSURES

Contractors have been doing their best to keep traffic flowing during the tricky "retrofit by replacement" of the West Approach to the Bay Bridge. But two phases in 2006 required outright closures of this heavily used artery and the Bay Bridge proper, first during a June weekend, and then again over Labor Day weekend. Thanks to careful planning and a publicity blitz, the operations went without a hitch.



### LAST DECK SECTION TUGGED DOWN DELTA

BATA and Caltrans summoned the media to the Delta city of Stockton in early December 2006 to witness a historic event: the shipping by barge of the last of the 452 precast concrete segments that make up the twin decks of the new Bay Bridge East Span Skyway. A couple of days later and some 80 miles downstream, the media again looked on as crews lifted the banner- and flag-festooned 750-ton segment into place.



# MTC Allocations to local agencies and jurisdictions for fiscal year 2005-06 (unaudited)

Recipients	Local / Regional					State					Subtotals			Total	
	Transportation Development Act				AB 1107 <sup>(a)</sup>	Toll Bridge Revenues <sup>(b)</sup>			State Transit Assistance						
	Transit Operations	Transit Capital	Streets and Roads	Pedestrian and Bicycle	Transit Operations	Transit Operations	Transit Capital	Other Capital	Transit Operations	Transit Capital	Transit Operations	Transit Capital	Other Capital		
Transit Agencies															
Alameda-Contra Costa Transit District (AC Transit)	\$ 55,805,919	\$ –	\$ –	\$ –	\$ 31,995,757	\$ 8,671,084	\$ 14,305,261	\$ –	\$ 11,027,649	\$ –	\$ 107,500,409	\$ 14,305,261	\$ –	\$ 121,805,670	
Bay Area Rapid Transit District (BART)	–	–	–	–	–	–	52,986,676	–	2,925,117	–	2,925,117	52,986,676	–	55,911,793	
Caltrain/Joint Powers Board	–	–	–	–	–	–	3,523,836	–	786,611	2,167,978 <sup>(c)</sup>	786,611	5,691,814	–	6,478,425	
Central Contra Costa Transit Authority (County Connection)	17,437,124	285,000	–	–	–	154,418	1,102,668	–	1,950,368	–	19,541,910	1,387,668	–	20,929,578	
Eastern Contra Costa Transit Authority (Tri Delta Transit)	9,671,910	487,409	–	–	–	516,232	83,799	–	2,382,075	–	12,570,217	571,208	–	13,141,425	
Fairfield/Suisun Transit	3,391,952	923,159	–	–	–	–	1,915,000	–	34,845	75,000	3,426,797	2,913,159	–	6,339,956	
Golden Gate Bridge, Highway & Transportation District	14,627,777	–	–	–	–	2,419,402	–	–	2,821,990	–	19,869,169	–	–	19,869,169	
Livermore/Amador Valley Transit Authority (Wheels)	6,925,138	3,734,179	–	–	–	58,000	787,701	–	957,962	–	7,941,100	4,521,880	–	12,462,980	
Napa County Transportation Planning Agency	4,956,886	895,120	–	–	–	–	–	–	250,000	–	5,206,886	895,120	–	6,102,006	
San Francisco Municipal Railway (Muni)	31,197,941	–	–	–	31,995,757	2,031,890	14,953,340	–	18,413,884	–	83,639,472	14,953,340	–	98,592,812	
San Mateo County Transit District (SamTrans)	27,760,174	–	–	–	–	58,000	79,069	–	3,802,300	–	31,620,474	79,069	–	31,699,543	
Santa Clara Valley Transportation Authority (VTA)	71,044,484	–	–	–	–	–	150,000	–	7,754,029	–	78,798,513	150,000	–	78,948,513	
Santa Rosa CityBus	4,488,866	1,474,557	–	–	–	–	–	–	390,529	–	4,879,395	1,474,557	–	6,353,952	
Sonoma County Transit	7,067,301	311,348	–	–	–	–	–	–	639,184	–	7,706,485	311,348	–	8,017,833	
Union City Transit	1,898,870	279,050	–	–	–	–	82,299	–	223,963	–	2,122,833	361,349	–	2,484,182	
Vallejo Transit	4,343,685	–	–	–	–	5,834,515	1,016,767	–	720,120	–	10,898,320	1,016,767	–	11,915,087	
Water Transit Authority	–	–	–	–	–	3,000,000	–	–	–	–	3,000,000	–	–	3,000,000	
Western Contra Costa Transit Authority (WestCAT)	2,785,751	150,000	–	–	–	414,516	667,313	–	1,900,976	542,602	5,101,243	1,359,915	–	6,461,158	
Subtotal	\$263,403,778	\$ 8,539,822	\$ –	\$ –	\$ 63,991,514	\$ 23,158,057	\$ 91,653,729	\$ –	\$ 56,981,602	\$ 2,785,580	\$ 407,534,951	\$ 102,979,131	\$ –	\$ 510,514,082	
Counties/Regional Agencies															
Alameda County <sup>(d)</sup>	54,455	–	–	2,130,807	–	1,471,102	2,750,339	–	–	–	1,525,557	2,750,339	2,130,807	6,406,703	
Contra Costa County <sup>(d)</sup>	–	–	–	642,000	–	–	2,400,000	4,000,000	–	–	–	2,400,000	4,642,000	7,042,000	
Marin County <sup>(d)</sup>	–	–	–	296,668	–	–	1,000,000	1,695,000	–	–	–	1,000,000	1,991,668	2,991,668	
Napa County <sup>(d)</sup>	–	–	–	120,000	–	–	–	–	–	–	–	–	120,000	120,000	
City and County of San Francisco <sup>(d)</sup>	–	–	–	900,000	–	–	–	–	–	–	–	–	900,000	900,000	
San Mateo County <sup>(d)</sup>	–	–	–	1,364,548	–	–	–	–	–	–	–	–	1,364,548	1,364,548	
Santa Clara County <sup>(d)</sup>	–	–	–	1,688,784	–	–	–	–	–	–	–	–	1,688,784	1,688,784	
Solano County <sup>(d)</sup>	4,114,561	1,656,429	1,290,000	322,256	–	–	–	6,390,000	563,464	34,000	4,678,025	1,690,429	8,002,256	14,370,710	
Sonoma County <sup>(d)</sup>	1,006,721	225,745	–	513,356	–	–	–	–	125,491	–	1,132,212	225,745	513,356	1,871,313	
Metropolitan Transportation Commission	–	–	–	–	–	3,455,000	45,000	1,000,000	2,649,994	1,587,167	6,104,994	1,632,167	1,000,000	8,737,161	
Transbay Joint Powers Authority	–	–	–	–	–	–	15,610,000	–	–	–	–	15,610,000	–	15,610,000	
California Department of Transportation	–	–	–	–	–	–	–	5,260,000	–	–	–	–	5,260,000	5,260,000	
Association of Bay Area Governments	–	–	–	–	–	140,000 <sup>(e)</sup>	–	–	–	–	140,000	–	–	140,000	
Subtotal	\$ 5,175,737	\$ 1,882,174	\$ 1,290,000	\$ 7,978,419	\$ –	\$ 5,066,102	\$ 21,805,339	\$ 18,345,000	\$ 3,338,949	\$ 1,621,167	\$ 13,580,788	\$ 25,308,680	\$ 27,613,419	\$ 66,502,887	
Regional Total	\$ 268,579,515	\$ 10,421,996	\$ 1,290,000	\$ 7,978,419	\$ 63,991,514	\$ 28,224,159	\$ 113,459,068	\$ 18,345,000	\$ 60,320,551	\$ 4,406,747	\$ 421,115,739	\$ 128,287,811	\$ 27,613,419	\$ 577,016,969	

(a) Revenues from a half-cent sales tax collected in Alameda, Contra Costa and San Francisco counties.

(b) Includes Regional Measure 1 Rail Extension funds, Regional Measure 2 funds, AB 664 Net Toll Revenue funds, 5% Unrestricted State Fund Reserves and 2% Bridge Revenue Reserves.

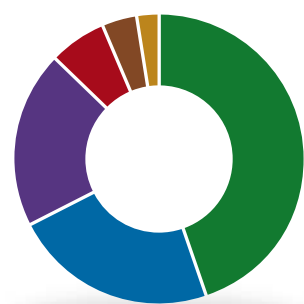
(c) SamTrans claims these funds on behalf of the Caltrain/Joint Powers Board.

(d) Includes funding for cities, counties and local transportation agencies not listed separately above.

(e) Bridge-toll-funded pedestrian and bicycle allocations.

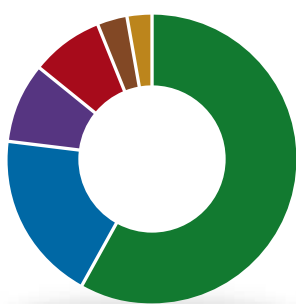


MTC Financial Highlights for fiscal year 2005-06



REVENUES

State Grants	\$ 74,084,265
Federal Grants	37,451,720
Transfers From Other Funds	32,237,731
Sales Taxes	10,355,069
Project Grants From Local Agencies	6,520,101
Investment Income	3,996,455
<b>Total Revenues</b>	<b>\$ 164,645,341</b>



EXPENSES

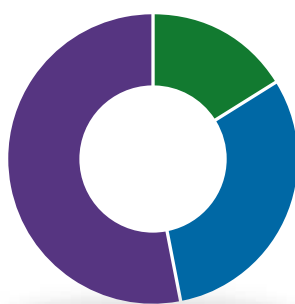
Allocations (by Fund Source):	
State Transit Assistance	\$ 59,482,306
Other Governmental Funds	23,045,431
AB 664 Net Toll Revenue Reserves	13,242,272
Professional Fees	31,073,126
Salaries and Benefits	14,718,693
Equity Contributions to Reserves	13,296,923
Capital Projects	5,449,297
Other Expenditures	4,337,293
<b>Total Expenses</b>	<b>\$ 164,645,341</b>

Metropolitan Transportation Commission

Created by the state Legislature in 1970 to map the transportation future of the nine-county San Francisco Bay Area, MTC today continues its planning role while also investing in and ensuring the smooth operation of the region’s public transit, highway and local road-way systems. MTC also functions as the Bay Area Toll Authority (see next page) and the Service Authority for Freeways and Expressways (see page 22).

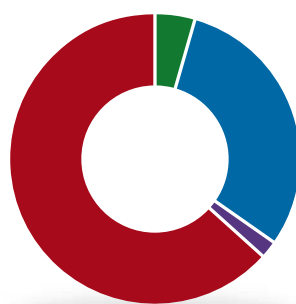


BATA Financial Highlights for fiscal year 2005-06



REVENUES

Operating Revenues:	
Toll Revenue Receipts	\$ 280,276,856
Other Revenues	6,798,750
Non-Operating Revenues:	
Contributions From Caltrans	499,403,240
Investment Income	44,059,545
Other Revenues	2,858,775
Equity Contributions From Reserves	934,482,952
<b>Total Revenues</b>	<b>\$ 1,767,880,118</b>



EXPENSES

Operating Expenses:	
State of California, Caltrans	\$ 32,656,652
Professional Fees	22,633,672
Allocations to Other Agencies	17,380,548
Depreciation/Other	6,178,660
Salaries and Benefits	2,739,722
Non-Operating Expenses:	
State of California, Caltrans	401,744,862
Other Agencies	71,065,762
Interest Expense	63,146,496
Transfers to MTC	30,771,061
Extraordinary Item:	
Distributions to Defease Caltrans Bonds	1,119,562,683
<b>Total Expenses</b>	<b>\$ 1,767,880,118</b>

Bay Area Toll Authority

BATA administers toll revenues from the region’s seven state-owned toll bridges – the Antioch, Benicia-Martinez, Carquinez, Dumbarton, Richmond-San Rafael, San Francisco-Oakland Bay and San Mateo-Hayward bridges. BATA also finances capital and safety (including seismic retrofit) improvements to the bridges, primarily through the issuance of bonds. The FasTrak® electronic toll collection system (used also on the independently managed Golden Gate Bridge) is another BATA responsibility.





SAFE Financial Highlights for fiscal year 2005-06



REVENUES

DMV Registration Fees	\$ 5,924,293
Caltrans and Other Agency Grants	5,450,857
Equity Contributions From Reserves	1,136,521
Investment Income	797,834
Federal Grants	558,611
<b>Total Revenues</b>	<b>\$13,868,116</b>

EXPENSES

Towing Contracts	\$ 8,179,464
Transfer to MTC	1,466,670
Professional Fees	1,335,381
Communications/Depreciation/Other	1,229,410
Repairs and Maintenance	855,359
Salaries and Benefits	801,832
<b>Total Expenses</b>	<b>\$13,868,116</b>

Service Authority for Freeways and Expressways

SAFE oversees the operations and finances of the Bay Area's publicly sponsored motorist aid services – the roving tow trucks of the Freeway Service Patrol and the regional highway/expressway call box program. SAFE is funded by a \$1 per year fee on motor vehicles registered in the nine Bay Area counties.



Financial Report

Report of Independent Auditors ..... 1

Management's Discussion and Analysis ..... 2-14

Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Assets ..... 15-16

Statement of Activities ..... 17-18

Fund Financial Statements

Balance Sheet - Governmental Funds ..... 19-20

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds ..... 21-22

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities ..... 23

Proprietary Fund Financial Statements

Statement of Net Assets - Proprietary Funds ..... 24-25

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds ..... 26-27

Statement of Cash Flows - Proprietary Funds ..... 28-31

Fiduciary Fund Financial Statements

Statement of Fiduciary Assets and Liabilities - Agency Funds ..... 32

Notes to Financial Statements ..... 33

Required Supplementary Information ..... 76

Other Supplementary Information ..... 80

Statistical Section ..... 109



## Photography

Cover	Noah Berger
Page 1	Noah Berger
Page 2	Caltrans/John Huseby
Page 3	The New York Times/Stephen Crowley
Page 4	Randy Rentschler
Page 5	TOP ROW, LEFT Noah Berger TOP ROW, MIDDLE BART TOP ROW, RIGHT Noah Berger SECOND ROW, LEFT Caltrans/John Huseby THIRD ROW, LEFT Lawrence Migdale THIRD ROW, MIDDLE Caltrans/John Huseby THIRD ROW, RIGHT Caltrans/Bill Hall FOURTH ROW, LEFT Noah Berger FOURTH ROW, MIDDLE Michele Hofherr FOURTH ROW, RIGHT Noah Berger BOTTOM ROW, LEFT Peter Beeler BOTTOM ROW, MIDDLE Peter Beeler BOTTOM ROW, RIGHT John Blaustein
Page 6	Noah Berger
Page 7	TOP LEFT Oakland Tribune/Nick Lammers TOP RIGHT Noah Berger BOTTOM Noah Berger
Page 8	Noah Berger
Page 9	TOP Michele Hofherr MIDDLE RIGHT Michele Hofherr BOTTOM Caltrans/John Huseby
Page 10	Peter Beeler
Page 11	TOP LEFT Peter Beeler TOP RIGHT Caltrans/Bill Hall LOWER RIGHT Laurie Kemmel
Page 12	Noah Berger
Page 13	TOP Paramount Classics/Eric Lee MIDDLE LEFT Peter Beeler MIDDLE RIGHT Noah Berger BOTTOM Noah Berger
Page 14	Noah Berger
Page 15	TOP Peter Beeler LOWER LEFT Lawrence Migdale LOWER MIDDLE Noah Berger LOWER RIGHT Scott Buschman
Page 16	Noah Berger
Page 17	TOP Noah Berger MIDDLE LEFT Noah Berger MIDDLE CENTER Caltrans/John Huseby MIDDLE RIGHT Caltrans/John Huseby BOTTOM Noah Berger
Page 20	© 2006 Barrie Rokeach
Page 21	Caltrans/Bill Hall
Page 22	John Blaustein

## Annual Report Staff

Joe Curley, Brenda Kahn
Editors/Writers
Marjorie Blackwell
Writer
Bob Bates, Melanie Choy, Elena Federis
MTC Allocations
Suzanne Bode
Financial Highlights
Peter Beeler, Suzanne Bode, Eva Sun
Financial Report

## Executive Staff

Steve Heminger	Alix Bockelman	Doug Kimsey
Executive Director	Director, Programming and Allocations	Director, Planning
sheminger@mtc.ca.gov	abockelman@mtc.ca.gov	dkimsey@mtc.ca.gov
Ann Flemer	Melanie Crotty	Rod McMillan
Deputy Executive Director Operations	Director, Traveler Coordination and Information	Director, Bridge Oversight and Operations
aflemer@mtc.ca.gov	mcrotty@mtc.ca.gov	rmcmillan@mtc.ca.gov
Andrew B. Fremier	Teri L. Green	Randy Rentschler
Deputy Executive Director Bay Area Toll Authority	Director, Administrative and Technology Services and Affirmative Action Officer	Director, Legislation and Public Affairs
afremier@mtc.ca.gov	tgreen@mtc.ca.gov	rrentschler@mtc.ca.gov
Therese W. McMillan		Albert Yee
Deputy Executive Director Policy		Director, Highway and Arterial Operations
tmcmillan@mtc.ca.gov		ayee@mtc.ca.gov
Francis F. Chin		
General Counsel		
fchin@mtc.ca.gov		
Brian Mayhew		
Chief Financial Officer		
bmayhew@mtc.ca.gov		





## **Metropolitan Transportation Commission**

Joseph P. Bort MetroCenter  
101 Eighth Street  
Oakland, California 94607

510.817.5700 PHONE

510.817.5769 TDD/TTY

510.817.5848 FAX

[info@mtc.ca.gov](mailto:info@mtc.ca.gov) E-MAIL

[www.mtc.ca.gov](http://www.mtc.ca.gov) WEB



**Report of Independent Auditors**

To the Commissioners  
Metropolitan Transportation Commission

In our opinion, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Metropolitan Transportation Commission (MTC) which collectively comprise MTC's basic financial statements as listed in the table of contents, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of MTC at June 30, 2006 and 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of MTC's management. Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 2, MTC has restated its financial statements as of and for the year ended June 30, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2006 on our consideration of MTC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended June 30, 2006. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and budgetary comparison information for the year ended June 30, 2006 on pages 2 through 14 and 77 through 79 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise MTC's basic financial statements. The combining and individual nonmajor fund financial statements included in supplementary schedules 1 through 2 on pages 81 through 82, the supplemental schedules numbered 3 through 26 and the statistical tables numbered 1 through 11 appearing on pages 83 through 108 and 110 through 120 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements included in supplementary schedules 1 through 2 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplemental schedules numbered 3 through 26 and the statistical tables numbered 1-11 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

PricewaterhouseCoopers LLP

September 27, 2006



# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2006 and 2005**

### **Management's Discussion and Analysis (unaudited)**

---

#### **Management's Discussion and Analysis**

This section presents a discussion of the results of operations and financial performance of Metropolitan Transportation Commission (MTC), its blended component units, and fiduciary funds for the years ended June 30, 2006 and 2005.

Fiscal year 2006 was a relatively good year for MTC. MTC's general fund had an operating surplus. MTC SAFE is embarking on a capital program which will draw down some of its reserves over the next few years to upgrade its equipment. The Bay Area economy improved from the previous year with the region's sales tax revenue showing an increase from the previous year. In addition to this positive increase, there were other highlights during the fiscal year as well. Several programs that made significant progress during this current year are as follows:

- The passage of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) meant an increase in federal planning funds for the region.
- This was the first full year with BATA operating the FasTrak® Regional Customer Service Center (RCSC). It opened on May 30, 2005. This center merged the two centers previously operated by BATA and the Golden Gate Bridge Highway and Transportation District into a single facility under BATA.
- Efforts are underway to begin the Bay Area video upgrade project. This program is operated by MTC SAFE and will convert and upgrade the traffic cameras on the Bay Area freeways from analog to digital.
- This is the second year of the Regional Measure 2 program. Voters approved RM 2 in March 2004 increasing the bridge toll by one dollar on the seven state-owned bridges in the Bay Area. This dollar is designated for a list of projects to reduce traffic congestion in the region. Allocations made in fiscal 2006 were \$25,306,000 for operating and \$106,701,800 for capital. In comparison, allocations were made in the amount of \$6,878,000 for operating and \$242,731,000 for capital expenditures in fiscal 2005.
- Sales tax receipts from the Transportation Development Act increased in the nine Bay Area counties as a whole by a healthy 8.3 percent in fiscal 2006 compared with 5.2 percent in fiscal 2005.
- The TransLink® Capital program moved to complete final preparations to roll out the universal smart cards, with the first two transit operators scheduled to go live in the fall of 2006.
- The passage of Assembly Bill (AB) 144 in July 2005 gave BATA increased responsibilities over the project management of the toll bridge seismic retrofit program, and transferred ownership of the seismic dollar from Caltrans to BATA. The transfer of the seismic dollar was contingent upon BATA issuing bonds so the proceeds were paid to an escrow agent so the state's Infrastructure Development Bank (Ibank) bonds could be defeased. The proceeds from the state's seismic toll revenue bonds issued by the Ibank were to fund the construction for the Seismic Program. This transaction was completed in April 2006. The seven Bay Area bridges continue to be owned by Caltrans.

(Except as otherwise stated, all amounts described below are expressed in thousands of dollars – '000 removed)



# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2006 and 2005**

### **Management's Discussion and Analysis (unaudited), *continued***

---

#### **A. Financial Highlights**

Overall, net assets continued to decrease in each of the last two years, with a \$922,003 decrease for 2006 and a \$180,574 decrease for 2005. The decreases are primarily the result of planned project drawdowns in the BATA Regional Measure 1 (RM 1) program as further explained in section E of this discussion, and as a result of BATA issuing bonds to allow the Ibank to defease the bonds issued by Caltrans. This transaction is further described as an extraordinary item in Note 12 of the financial statements. The net assets decrease is a condition of BATA financing the improvements with Caltrans owning the bridges. This decrease in net assets will continue into the future.

Net assets in the governmental funds increased \$13,617 or 8.5 percent for 2006 compared to a \$5,650 or 3.7 percent increase for 2005, as reported under the accrual basis of accounting. Net assets in the governmental funds increased by \$13,297 or 13.3 percent for the year ended June 30, 2006, compared to a \$5,542 loss or 5.2 percent decrease for the year ended June 30, 2005, as reported under the modified accrual basis of accounting.

At June 30, 2006 fiscal year, the general fund's unreserved fund balances were \$8,832 or 15.2 percent of total general fund expenditures. The general fund unreserved fund balances at June 30, 2005 fiscal year were \$5,591 or 10.8 percent of the total general fund expenditures. The unreserved general fund balance increased by \$3,241 or 57.9 percent in fiscal 2006 mainly due to an operating surplus of \$2,780 and to the restatement of general fund unreserved of \$2,035 in fiscal year 2005 (see Notes to Financial Statements, note 2.).

#### **B. Overview of Government-Wide Financial Statements**

The government-wide financial statements provide an overview of MTC and its blended component units. The government-wide financial statements comprise a Statement of Net Assets, a Statement of Activities, and accompanying footnotes. The Statement of Net Assets presents information on the government-wide assets and liabilities of MTC at the end of the 2006 fiscal year. The difference between the assets and liabilities is reported as "Net Assets." The Statement of Activities presents government-wide information showing the change in net assets resulting from revenues earned and expenses incurred during the 2006 and 2005 fiscal years. All changes in net assets are recorded as revenues are earned and expenses are incurred, regardless of the timing of related cash flows.

The government-wide financial statements distinguish business-type activities, which recover a significant portion of costs from user fees or charges, from governmental activities that are principally supported by grants, contributions, taxes and intergovernmental sources.

MTC is composed of governmental and business-type funds. The governmental funds are comprised of the general fund, the special revenue funds and the capital funds. The business or proprietary funds are BATA and MTC SAFE, which are blended component units whose transactions are presented as if they were business-type funds. These funds are further described on note 1A to the financial statements.

The government-wide Statement of Net Assets and Statement of Activities are presented on pages 15-18 of this report with the accompanying footnotes being presented on pages 33-75.

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2006 and 2005**  
**Management's Discussion and Analysis (unaudited), *continued***

---

**C. Overview of the Fund Financial Statements**

*i.) Governmental Funds*

Governmental funds are used to account for the MTC activities supported by grants, contributions, sales taxes, and intergovernmental revenue sources. These funds focus on the annual inflows and outflows of resources as well as on the balance of resources available to be spent at fiscal year-end rather than the longer term focus of governmental activities as seen in the government-wide financial statements. The governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison of governmental funds to governmental activities.

MTC's governmental funds include a general fund, two major special revenue funds, other nonmajor special revenue funds and a capital projects fund. These funds are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The general fund and two of these special revenue funds are considered to be major funds. The financial statements of the governmental funds, prepared under the modified accrual basis of accounting are on pages 19-22 of this report. A schedule detailing the nonmajor special revenue funds are included on pages 81-82 of this report.

MTC adopts annual budgets for all funds. However, a comparison of budget-to-actual is required only for the governmental funds and these are presented on pages 77-79 (major funds) and 83-86 (nonmajor funds) of this report.

*ii) Proprietary Funds*

Proprietary funds are used to report business-type activities. MTC has two proprietary funds, BATA and MTC SAFE. These funds are presented as blended component units of MTC as if they were proprietary funds on the government-wide and fund financial statements. BATA oversees the administration of toll collection and maintenance activities for the seven state-owned bridges in the San Francisco Bay Area, as well as administers the RM 1 and RM 2 capital improvement programs approved by the voters in 1988 and 2004, respectively. AB 144 was passed on July 2005. As a result of the bill's passage, BATA received more oversight responsibilities over the seismic retrofit program. See Note 12 on page 74-75 for further information on the impact of AB 144. MTC SAFE administers a freeway motorist aid system providing tow truck and call box services to stranded motorists in the nine Bay Area counties.

The financial statements of the proprietary funds are prepared on an accrual basis and are on pages 24-31.



# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2006 and 2005**

### **Management's Discussion and Analysis (unaudited), *continued***

---

#### *iii) Fiduciary Funds*

Fiduciary funds are used to account for resources held in a trust or agent capacity for the benefit of parties outside MTC. These funds are not reflected in the government-wide financial statements, as the resources cannot be used to support the programs of MTC or those of its component units. The fiduciary funds of MTC use the economic resources measurement focus and the accrual basis of accounting.

MTC reports on two fiduciary funds, Transportation Development Act (TDA) and BART Half-Cent Sales Tax (AB 1107) funds. Revenue for each of these funds are derived from sales tax revenues. The revenues for the TDA fund are deposited in MTC's name as fiduciary with the respective treasurer in each of the nine counties in the region. The revenues for the AB 1107 fund are deposited with the State of California. MTC has administrative oversight for the allocation of these funds.

The fiduciary funds financial statement is presented on page 32 of this report.

#### **D. Notes to the Financial Statements**

The notes to the financial statements, beginning on page 33, provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

#### **E. Restatements of Financial Statements**

MTC has concluded that the following financial statements, each included in MTC's Comprehensive Annual Financial Report, as of and for the year ended June 30, 2005, should no longer be relied upon because of errors in those financial statements relating to the classification of non-operating expense payments by BATA to Caltrans and other agencies, transfers between BATA and MTC SAFE, the recording of cash flows from non-capital financing activities and the accounting for compensated absences in the MTC General Fund:

- Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds for the year ended June 30, 2005
- Statement of Cash Flows – Proprietary Funds for the year ended June 30, 2005
- Balance Sheet – Governmental Funds as of June 30, 2005
- Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for the year ended June 30, 2005
- Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities for the year ended June 30, 2005

Details of the restatement as well as the restated financial statements are included in the Notes of the Financial Statements, Note 2 on pages 44-51.

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2006 and 2005**  
**Management's Discussion and Analysis (unaudited), *continued***

**F. Government-Wide Financial Analysis**

Total government-wide liabilities exceeded assets for fiscal 2006 by \$1,091,444 and government-wide liabilities exceeded assets by \$169,440 for fiscal 2005 as illustrated in the following table. This represents a decrease in net assets for fiscal 2006 of \$922,003 and a decrease of \$180,574 for fiscal 2005.

*i.) Statement of Net Assets*

The following table shows the MTC's government-wide statements of net assets for the last 3 years:

Metropolitan Transportation Commission's Changes in Net Assets (\$000)										
	Governmental			Business-Type			Total			
	Activities			Activities						
	2006	2005	2004	2006	2005	2004	2006	2005	2004	
Cash and investments	\$ 125,529	\$ 99,547	\$ 105,502	\$ 1,916,801	\$ 738,684	\$ 623,333	\$ 2,042,330	\$ 838,231	\$ 728,835	
Receivables	19,160	20,720	13,248	62,112	13,014	18,866	81,272	33,734	32,114	
Other assets	614	505	467	34,194	12,377	8,060	34,808	12,882	8,527	
Loan to other agencies	57,000	56,090	47,810	-	-	4,400	57,000	56,090	52,210	
Capital assets	5,827	6,051	2,945	5,394	4,750	1,741	11,221	10,801	4,686	
Total assets	208,130	182,913	169,972	2,018,501	768,825	656,400	2,226,631	951,738	826,372	
Long term debt, net	-	-	-	3,116,841	995,292	701,161	3,116,841	995,292	701,161	
Other liabilities	34,216	22,616	15,325	167,017	103,270	98,752	201,233	125,886	114,077	
Total liabilities	34,216	22,616	15,325	3,283,858	1,098,562	799,913	3,318,074	1,121,178	815,238	
Net assets:										
Invested in capital assets,										
net of related debt	5,827	6,051	2,946	5,539	4,895	1,886	11,366	10,946	4,832	
Restricted	117,117	104,451	116,532	643,444	257,670	175,000	760,561	362,121	291,532	
Unrestricted	50,970	49,795	35,169	(1,914,340)	(592,302)	(320,399)	(1,863,370)	(542,507)	(285,230)	
Total net assets / (deficit)	\$ 173,914	\$ 160,297	\$ 154,647	\$ (1,265,357)	\$ (329,737)	\$ (143,513)	\$ (1,091,443)	\$ (169,440)	\$ 11,134	

For the fiscal year ended June 30, 2006, the government-wide cash and investment balances rose from \$838,231 to \$2,042,330. The increase is primarily due to the bond proceeds received by BATA.

Under the business-type activities, BATA's long-term debt excluding the non-current liabilities for unearned revenue increased \$2,119,416 or 212.9 percent in 2006 as compared with 2005. The long-term debt increase is due to the issuances of the 2006 Series A-E bonds in February 2006 and the 2006 Series F bonds in April 2006. The debt is further described in Note 6 and Schedules 23-26 in the financial statements. Other liabilities increased from fiscal 2006 over fiscal year 2005 by \$63,747 or 61.7 percent due to several items. Unearned revenue increased by \$11,000 payable to patrons of the FasTrak® program, and payable to Caltrans increased by \$11,023 due to timing of the payments. Combined accounts payable and accrued expense increased by \$19,596 mainly due to the RM 2 claimants and short-term debt payable increased by \$23,920.

Net assets for business-type activities decreased \$935,620 for fiscal 2006 and \$186,224 for fiscal 2005. The decrease in 2006 is mainly due to the distribution of \$1,119,563 to be held in an escrow account on behalf of Caltrans for the defeasance of its seismic dollar-backed bonds and the drawdowns for the RM 1 program. During fiscal year 2006, Caltrans remitted \$462,951 in contributions to BATA from its Toll Bridge Seismic Retrofit Fund, as stipulated in AB 144. Caltrans has also identified an additional \$36,452 as a payable to BATA for contributions. The balance will be transferred in early fiscal 2007.



# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2006 and 2005

### Management's Discussion and Analysis (unaudited), *continued*

The restricted net assets of business-type activities increased in fiscal 2006 by \$385,774 or 149.7 percent compared to \$82,670 or 47.2 percent for fiscal 2005. In 2006, restricted net assets of business-type activities increased, mainly due to the contributions from Caltrans in the Seismic Retrofit reserve of \$378,168. The monies are designated for the seismic retrofit of the Bay Area state-owned toll bridges. The 2005 increase is due to restricted assets for the RM 2 program. Senate Bill (SB) 916 requires that the net assets of the RM 2 program be restricted for those purposes. The total business-type unrestricted net assets decreased by \$1,322,038 for 2006 and by \$271,903 for 2005. These decreases are again due to the BATA RM 1 drawdowns and 2006 had the additional payment to an escrow account for the defeasance of the bonds held by Caltrans.

BATA is the financing arm for the Regional Measures 1, 2, and Seismic retrofit programs. To date, total debt incurred for these costs is \$3,144,413. The cash proceeds from this debt are used to reimburse Caltrans for capital construction costs and for the defeasance of the Caltrans bonds held by the Ibank. Since the bridges are not capitalized under BATA, title remains with Caltrans, so the combination of distributions to Caltrans and increased debt to pay for project expenditures create a negative asset. Future toll revenues are pledged to cover debt service payments. BATA owns the toll revenue stream and the debt. Caltrans owns the bridges and is doing the capital construction work, which is reimbursed by BATA. This information is more fully described in Note 3 on page 52 of this report.

#### ii) *Statement of Activities*

MTC's net assets for governmental activities increased by \$13,617 or 8.5 percent for fiscal 2006 and an increase of \$5,650 or 3.7 percent for fiscal 2005. A breakdown of this activity is illustrated in the table below:

	Metropolitan Transportation Commission's Changes in Net Assets (\$000)								
	Governmental			Business-Type			Total		
	Activities			Activities					
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Revenues:									
Program revenues:									
Charges for services	\$ -	\$ -	\$ -	\$ 293,000	\$ 256,466	\$ 152,937	\$ 293,000	\$ 256,466	\$ 152,937
Operating grants and contributions	57,641	50,165	49,974	8,868	8,129	6,718	66,509	58,294	56,692
Capital grants and contributions	70,770	44,957	42,344	499,403	-	-	570,173	44,957	42,344
General revenues:									
Investments earnings	3,996	2,791	1,090	44,857	21,747	11,185	48,853	24,538	12,275
Total revenues	132,407	97,913	93,408	846,128	286,342	170,840	978,535	384,255	264,248
Expenses:									
General government	63,297	47,452	47,238	-	-	-	63,297	47,452	47,238
Allocations to other agencies	87,731	71,885	81,873	-	-	-	87,731	71,885	81,873
Toll bridge activities	-	-	-	617,546	433,703	451,930	617,546	433,703	451,930
Congestion relief	-	-	-	12,401	11,789	10,869	12,401	11,789	10,869
Total expenses	151,028	119,337	129,111	629,947	445,492	462,799	780,975	564,829	591,910
Decrease in net assets before transfers	(18,621)	(21,424)	(35,703)	216,181	(159,150)	(291,959)	197,560	(180,574)	(327,662)
Transfers in (out)	32,238	27,074	26,298	(32,238)	(27,074)	(26,298)	-	-	-
Income before contributions and extraordinary item	13,617	5,650	(9,405)	183,943	(186,224)	(318,257)	197,560	(180,574)	(327,662)
Contributed capital	-	-	-	-	-	2,397	-	-	2,397
Distribution for Caltrans bond defeasance	-	-	-	(1,119,563)	-	-	(1,119,563)	-	-
Total contributed capital/distributions	-	-	-	(1,119,563)	-	2,397	(1,119,563)	-	2,397
Increase (decrease) in net assets	13,617	5,650	(9,405)	(935,620)	(186,224)	(315,860)	(922,003)	(180,574)	(325,265)
Net assets / (deficit) - Beginning	160,297	154,647	164,052	(329,737)	(143,513)	172,347	(169,440)	11,134	336,399
Net assets / (deficit) - Ending	\$ 173,914	\$ 160,297	\$ 154,647	\$ (1,265,357)	\$ (329,737)	\$ (143,513)	\$ (1,091,443)	\$ (169,440)	\$ 11,134

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2006 and 2005**  
**Management's Discussion and Analysis (unaudited), *continued***

---

Charges for services program revenue increased by \$36,534 for 2006, and \$103,529 in fiscal 2005. The increase for charges for services in the business-type activities is explained in Section G of this discussion.

Capital grants and contributions revenue increased in fiscal 2006 by \$525,216, compared to an increase in fiscal 2005 of \$2,613 or 6.2 percent. The large increase in 2006 results mainly from contributions from Caltrans for the Seismic Fund closeout and Proposition 42 monies of \$23,808 going into the STA fund from the Public Transportation Account (PTA). The state of California had a significant deficit and therefore was able to suspend the transfer of Proposition 42 funds to the PTA by declaring that the transfer will have a significant negative fiscal impact on the state by a 2/3 vote of the legislature.

Investment earnings increased in fiscal 2006 by \$24,315 or 99.1 percent, and increased by \$12,263 or 99.9 percent in fiscal year 2005. The majority of the increases for both fiscal years 2006 and 2005 are attributable to the business-type activities. See Section G for a further explanation of the business-type activities.

Allocations to other agencies increased by \$15,846 or 22.0 percent in fiscal 2006, compared to a decrease in fiscal 2005 of \$9,988 or 12.2 percent. The increase in fiscal 2006 is due to the allocations from the STA fund as the STA revenue increased for fiscal 2006. The decrease in 2005 is primarily due to a decrease in allocations from the AB 664 fund.

Toll bridge activities expenses increased by \$183,843 or 42.4 percent versus a decrease of \$18,227 or 4.0 percent in fiscal 2005. The fiscal 2006 increase is due to an increase in operating expenses, interest expense, and capital distributions to Caltrans. See the next section for further explanation of these differences in the business-type activities.



**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2006 and 2005**  
**Management's Discussion and Analysis (unaudited), *continued***

**G. Financial Analysis of Business-Type Activities**

The following table shows the results of operations for the last two years.

<u>Business-Type Funds (\$000)</u>			
	2006	As Restated 2005	
<b>Revenues:</b>			
Toll revenues collected by Caltrans	\$ 280,277	\$ 248,141	
Other operating revenues	12,723	8,325	
Total revenues	293,000	256,466	
<b>Operating expenses:</b>			
Operating expenses incurred by Caltrans	32,657	37,582	
Other operating expenses	61,080	35,397	
Total operating expenses	93,737	72,979	
Operating income/(loss)	199,263	183,487	
<b>Non-operating revenues/(expenses)</b>			
Interest income	44,857	21,747	
Interest expense	(63,146)	(35,374)	
Contributions from Caltrans	499,403	-	
Distributions to other agencies for their capital purposes	(473,065)	(337,140)	
Other	8,869	8,130	
Total non-operating revenues (expenses)	16,918	(342,637)	
Income/(loss) before transfers, contributions, and extraordinary item	216,181	(159,150)	
<b>Transfers</b>			
Transfers to Metropolitan Transportation Commission	(32,238)	(27,074)	
Income/(loss) before contribution and extraordinary item	183,943	(186,224)	
<b>Capital Contributions</b>			
Contributed capital	-	-	
Total capital contributions	-	-	
Income/(loss) before extraordinary item	183,943	(186,224)	
<b>Extraordinary item</b>			
Distribution for Caltrans bond defeasance	(1,119,563)	-	
Change in net assets	(935,620)	(186,224)	
Total net assets / (deficit) - beginning	(329,737)	(143,513)	
Total net assets / (deficit) - ending	\$ (1,265,357)	\$ (329,737)	

Fiscal year 2006 toll revenue of \$280,277 for the seven bridges was \$32,136 higher compared with the prior year. The increase was primarily as a result of the collection of an extra dollar in tolls for 2.3 months that previously was distributed to the Caltrans Toll Bridge Seismic Retrofit Account. Assembly Bill (AB) 144 consolidated all toll revenues including the seismic dollar under BATA administration. The seismic surcharge accounted for \$23,566 of the increase in revenues. Another factor contributing to the increase was the discontinuance of a discount program for electronic toll patrons in effect for the first four months of fiscal year 2005. Fiscal year 2006 did not include such a discount. The discount resulted in \$12,385 in less revenue in 2005. Excluding these two factors, total toll revenue would decrease by \$3,816. Total number of paid toll vehicles for all bridges decreased by 1.5% compared to the prior year. The paid vehicle counts increased on the Antioch, Richmond-San Rafael, San Mateo-Hayward, and Dumbarton bridges and decreased on the Carquinez, Benicia-Martinez, and San Francisco-Oakland Bay bridges. Detailed traffic counts are available on Schedules 14-21.

# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2006 and 2005**

### **Management's Discussion and Analysis (unaudited), *continued***

---

Other operating revenues increased \$4,398 for 2006. The increase is the result of higher penalty assessments for toll violators implemented in June 2005.

Total operating expenses in 2006 rose by \$20,759 or 28.4 percent from fiscal year 2005. This increase is due to several categories of expenses. An additional amount of \$10,563 is directly related to the increase in allocation expenses for the RM 2 operating projects. For fiscal year 2005, the RM 2 allocation expenses were first year expenses amounting to \$6,818. Professional fees were \$8,843 higher in 2006 than in 2005. The increase is due to purchases of toll tags, professional services for the operation of the FasTrak program and financing activities of the new bonds. There was a \$3,700 increase in bank fees from credit card service charges of electronic toll paying patrons and bank service charges. Salaries and benefits increased \$1,317 in 2006. Operating expenses incurred by Caltrans in 2006 decreased \$4,925. The decrease is due to the consolidation of the accounting, information technology, banking and electronic toll collection activities into BATA's operations. The decrease in expenses incurred by Caltrans offsets some of the increases in banking fees, salaries and benefits expenses included in other operating expenses. Depreciation and amortization expenses increased \$423 for 2006 due to the depreciation of the recent building, furniture, and equipment acquisitions along with the amortization of the bond issuance cost.

Investment and interest income for 2006 of \$44,857 represents an increase of 106.3 percent from \$21,747 in fiscal year 2005. Interest income from banks was \$11,615 for 2006 and \$1,832 for 2005. Income from investments was \$33,242 versus \$19,915 for the prior year. The increases are generated from larger cash and investment balances on hand during the year and higher interest rates as compared to 2005.

Interest expense totaled \$63,146 for 2006 compared to \$35,374 for 2005. The increase is primarily attributable to higher principal balances from two new bond issues. The 2006 Series A-E and the 2006 Series F bonds added \$14,144 and \$10,228 to interest expense for the year. Interest expense in 2006 for the 2004 Series Bonds were \$2,582 higher due to a full year as compared to nine months of interest expense for fiscal year 2005.

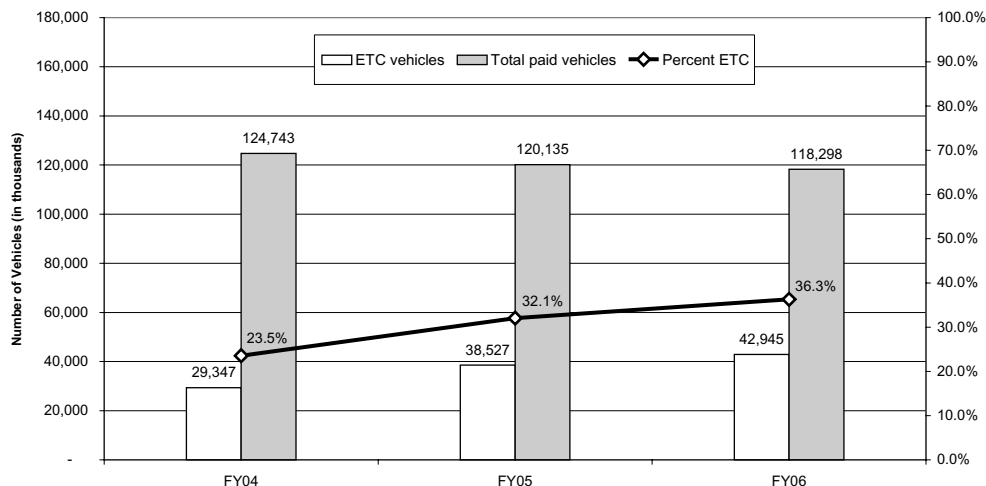
Revenue collections from the FasTrak<sup>®</sup> electronic toll program continue to increase. Electronic toll revenue for the total number of paid vehicles comprised 36.3 percent of the total paid vehicles in fiscal 2006 compared to 32.1 percent in fiscal 2005 and 23.5 percent for fiscal 2004. The larger increase in fiscal 2005 is due to a marketing program that discounted the toll for the first four months to encourage patrons to get transponders. The graph on the next page illustrates the increase in electronic toll collection (ETC) usage for the last three years.



**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2006 and 2005**  
**Management's Discussion and Analysis (unaudited), *continued***

---

**ETC Usage by Fiscal Year**



**H. Financial Analysis of Governmental Activities**

The fund balance of the MTC governmental funds was \$113,505 and \$100,208 for fiscal years 2006 and 2005, respectively, as reported under the modified accrual basis of accounting. The fund balance includes reserved and unreserved funds. Of the fund balance, an amount of \$47,660 is reserved for capital project for fiscal 2006 and \$46,297 for fiscal 2005. A reserve of \$44,556 and \$35,032 for fiscal 2006 and 2005, respectively, is to be used for purposes specific to the special revenue funds. An amount of \$12,457 of the fund balance for 2006 and \$13,288 for 2005 has been reserved for specific Commission or other legal purposes. The remaining balance of \$8,832 for 2006 and \$5,591 for 2005 represents unreserved funds available for appropriation at the government's discretion.

The table on the next page illustrates the revenues and expenditures for the past two fiscal years. Refer to page 23 for the reconciliation between the governmental funds to the Statement of Activities.

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2006 and 2005**  
**Management's Discussion and Analysis (unaudited), *continued***

---

	Governmental Funds (\$000)	
	2006	As Restated 2005
Revenues:		
Sales taxes	\$ 10,355	\$ 9,562
Grants - Federal	37,452	32,568
Grants - State and other agencies	80,604	52,993
Investment income	3,997	2,790
Total revenues	132,408	97,913
Expenditures:		
Current:		
General government	49,945	38,805
Allocations to other agencies	95,765	81,185
Capital outlay	5,639	10,540
Total expenditures	151,349	130,530
Transfers in	32,238	27,075
Net change in fund balance	13,297	(5,542)
Fund balance - beginning	100,208	105,750
Fund balance - ending	\$ 113,505	\$ 100,208

MTC's sales tax revenue increased for the third straight year after two declining years. The increase for fiscal 2006 was \$793 or 8.3 percent. The increase in federal grants by \$4,884 in fiscal 2006 was primarily due to Surface Transportation Program grants. The increase in state and other agencies revenue for fiscal 2006 was \$27,611. Of the fiscal year 2006 increase, revenue for State Transit Assistance increased by \$27,200. Most of this STA revenue increase was due to \$23,808 funds from Proposition 42, which was released by the state this year.

Total general government expenditures increased \$11,140 in fiscal year 2006. The increase in fiscal 2006 is due to program expenditures of \$8,713 and an increase in salaries and benefits of \$1,328. Program expenditures include increases to the Spare the Air program of \$5,756, operating costs for the TransLink<sup>®</sup> program increased by \$1,038 and the arterial operations expenditures increased by \$521. Allocations to other agencies in fiscal 2006 increased by \$14,580 or 18.0 percent. Since the STA revenue was higher this year, the allocations expense from the STA fund increased by \$18,231 and a reduction of \$2,500 allocation expense from the Feeder Bus fund.

The decrease in capital outlay for fiscal 2006 of \$4,901 is due to decreased expenditures from the capital projects program consisting mainly of TransLink<sup>®</sup> of \$1,664 and the completion of the agency building remodel in fiscal 2005.

## **I. General Fund**

The final fiscal year 2006 general fund revenue budget for MTC for the year was \$65,053, an increase of \$23,149 over the original budget adopted on July 1, 2005.



**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2006 and 2005**  
**Management's Discussion and Analysis (unaudited), *continued***

---

The following provides a condensed view of the final budgeted results compared to actual results for the year ended June 30, 2006.

	General Fund Budget			
	Adopted Budget	Final Budget	Actual	Variance
Revenues	\$ 41,904	\$ 65,053	\$ 48,845	\$ (16,208)
Expenditures	50,073	79,255	58,163	21,092
Excess/(Deficiency)	(8,169)	(14,202)	(9,318)	4,884
Transfer in	8,169	11,963	12,098	135
Net change in fund balance	-	(2,239)	2,780	5,019
Fund balance - beginning	19,202	19,202	21,238	-
Fund balance - ending	\$ 19,202	\$ 16,963	\$ 24,018	\$ 5,019

The principal reason for the increase in the final budget from the adopted budget was due to a carryover of prior year funding. The expenditures in the final budget increased over the adopted budget due to prior year encumbrances being brought forward.

MTC's federal and state funding sources are on a reimbursement basis so it is not unusual for revenue to lag behind the budget. Expenditures were also well below budget, with a net surplus of \$2,780 after transfers.

Actual expenditures are lower than budget as not all the programs budgeted were completed by year-end.

The general fund's fund balance increased by \$2,780 at June 30, 2006 due to an increase in sales tax revenue and BATA's administrative fee to MTC is based on its operating revenue which increased in fiscal 2006 from fiscal 2005 due to the additional revenue from the seismic dollar.

**J. Capital Asset Administration**

MTC's investment in capital assets for all funds, governmental and proprietary, is \$11,221 for fiscal 2006 and \$10,801 for fiscal 2005 as reported under the accrual basis of accounting. The second floor office remodel was completed during this fiscal year to include additional improvements of \$1,134. Equipment costs for the new FasTrak® Center were capitalized for \$1,408 in fiscal 2005. Nine hundred fifty call boxes were removed due to higher usage of cell phones, with a net book value of \$111 in fiscal 2005. Assets relating to the seven state-owned bridges administered by BATA are recorded with Caltrans.

Additional information on MTC's capital assets is disclosed in note 5 on pages 59-60 of this report.

**K. Long-Term Debt Administration**

BATA issued two bond series in fiscal 2006. The first issuance was in February 2006, 2006 Series A-E, for \$1.0 billion (actual dollars) to finance the costs of the design and construction of eligible projects, including capital improvements and Regional Measure 1 projects for the Bay Area bridges and Regional Measure 2 transportation congestion relief projects as well as the Toll Bridge Seismic Retrofit capital program. The second issuance was in April 2006, 2006 Series F, for \$1.149 billion (actual dollars). Most of the proceeds from this issuance was paid to an escrow agent to be invested to defease the bonds, as they mature, held by Ibank on behalf of Caltrans. This transaction releases the seismic dollar and

# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2006 and 2005**

### **Management's Discussion and Analysis (unaudited), *continued***

---

transfers this revenue stream to BATA. Thus, all the bridge toll revenue is now consolidated under one agency, which was the intent of AB 144. Further explanation on the AB 144 transaction can be found in note 12 on pages 74-75 of this report. The other long-term debt issued is \$1.0 billion (actual dollars) in bridge toll revenue bonds issued by BATA as part of its \$2.1 billion (actual dollars) RM 1 bridge construction and rehabilitation program.

Additional information on MTC's long-term debt can be found in note 6 on pages 61-69 of this report.

#### **L. Economic Factors Impacting MTC**

The Bay Area economy still continues to lag behind the national economy, according to a report from the Association of Bay Area Governments. Income is expected to grow slightly more than inflation. There are concerns about the cost of higher fuel prices. General factors include:

- Expectations are for slow to moderate job growth to occur in 2006 and 2007.
- There was an 8.3 percent increase in sales tax revenue. Region-wide sales tax revenue increased for the third straight year after two straight declining years. Sales tax revenue for fiscal 2006 increased for all nine counties. The first two months of fiscal 2007 indicate sales tax revenue is higher than the same period in fiscal 2006. Sales tax revenue is forecast to increase around 5 percent.
- The housing market is slowing down and a slowdown in residential constructions. There may be lagging effects from the Federal Reserve tightening of the interest rate.

#### **Requests for information**

This financial report is designed to provide a general overview of the Metropolitan Transportation Commission's financial position for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Metropolitan Transportation Commission, 101 8<sup>th</sup> Street, Oakland, CA 94607.

**Metropolitan Transportation Commission**  
**Statement of Net Assets**  
**June 30, 2006**

	Primary Government		
	Governmental	Business-Type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents - unrestricted	\$ 92,088,636	\$ 629,067,631	\$ 721,156,267
Cash and cash equivalents - restricted	1,066,701	32,875,173	33,941,874
Investments - unrestricted	32,373,444	1,055,946,690	1,088,320,134
Investments - restricted	-	198,911,600	198,911,600
Receivables:			
Accounts and tolls due	37,171	2,942,807	2,979,978
Caltrans - Seismic Contributions	-	36,451,759	36,451,759
Interest	624,455	15,866,006	16,490,461
Caltrans - funding	2,354,352	6,380,692	8,735,044
Federal funding	16,144,408	470,400	16,614,808
Prepaid items	614,288	301,373	915,661
Bond issuance costs	-	33,893,064	33,893,064
Loans to other agencies	57,000,000	-	57,000,000
Capital assets (net of accumulated depreciation)	5,826,876	5,394,086	11,220,962
<b>Total assets</b>	<b>208,130,331</b>	<b>2,018,501,281</b>	<b>2,226,631,612</b>
<b>Liabilities</b>			
Accounts payable	26,963,181	18,444,879	45,408,060
Accrued liabilities	3,616,162	15,646,434	19,262,596
Unearned revenue	-	29,776,639	29,776,639
Due to / (from) other funds	1,219,371	(1,219,371)	-
Due to Caltrans	-	74,663,010	74,663,010
Noncurrent liabilities:			
Due within one year	1,094,660	29,705,000	30,799,660
Due in more than one year	1,323,156	3,116,841,539	3,118,164,695
<b>Total liabilities</b>	<b>34,216,530</b>	<b>3,283,858,130</b>	<b>3,318,074,660</b>
<b>Net Assets / (Deficit)</b>			
Invested in capital assets, net of related debt	5,826,876	5,539,155	11,366,031
Restricted for:			
Capital projects	47,659,740	-	47,659,740
RM 2 program reserve	-	66,127,649	66,127,649
Seismic program reserve	-	378,167,638	378,167,638
Debt reserve	-	149,148,268	149,148,268
Self insurance reserve	-	50,000,000	50,000,000
Long-term receivable	57,000,000	-	57,000,000
Other purposes	12,456,841	-	12,456,841
Unrestricted	50,970,344	(1,914,339,559)	(1,863,369,215)
<b>Total net assets / (deficit)</b>	<b>\$ 173,913,801</b>	<b>\$ (1,265,356,849)</b>	<b>\$ (1,091,443,048)</b>

The accompanying notes are an integral part of these financial statements.



**Metropolitan Transportation Commission**  
**Statement of Net Assets**  
**June 30, 2005**

	Primary Government		
	Governmental	Business-Type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents - unrestricted	\$ 74,458,997	\$ 296,868,132	\$ 371,327,129
Cash and cash equivalents - restricted	1,055,366	34,401,887	35,457,253
Investments - unrestricted	24,033,072	232,413,620	256,446,692
Investments - restricted	-	175,000,000	175,000,000
Receivables:			
Accounts and tolls due	32,954	2,835,775	2,868,729
Interest	187,498	3,368,002	3,555,500
State/Caltrans funding	10,163,074	2,751,431	12,914,505
Federal funding	9,547,671	92,275	9,639,946
Maintenance funding	-	3,966,913	3,966,913
Indirect cost recovery	789,232	-	789,232
Prepaid items	504,944	328,293	833,237
Bond issuance costs	-	12,048,163	12,048,163
Loans to other agencies	56,090,000	-	56,090,000
Capital assets (net of accumulated depreciation)	6,050,609	4,750,312	10,800,921
<b>Total assets</b>	<b>182,913,417</b>	<b>768,824,803</b>	<b>951,738,220</b>
<b>Liabilities</b>			
Accounts payable	18,196,148	10,620,945	28,817,093
Accrued liabilities	808,781	3,874,532	4,683,313
Unearned revenue	-	20,909,956	20,909,956
Due to / (from) other funds	1,560,061	(1,560,061)	-
Due to Caltrans	-	63,639,738	63,639,738
Noncurrent liabilities:			
Due within one year	918,252	5,785,000	6,703,252
Due in more than one year	1,133,165	995,292,069	996,425,234
<b>Total liabilities</b>	<b>22,616,407</b>	<b>1,098,562,179</b>	<b>1,121,178,586</b>
<b>Net Assets / (Deficit)</b>			
Invested in capital assets, net of related debt	6,050,609	4,895,382	10,945,991
Restricted for:			
Capital projects	46,297,108	-	46,297,108
RM 2 program reserve	-	82,670,228	82,670,228
Debt reserve	-	125,000,000	125,000,000
Self insurance reserve	-	50,000,000	50,000,000
Long-term receivable	56,090,000	-	56,090,000
Other purposes	2,064,008	-	2,064,008
Unrestricted	49,795,285	(592,302,986)	(542,507,701)
<b>Total net assets / (deficit)</b>	<b>\$ 160,297,010</b>	<b>\$(329,737,376)</b>	<b>\$ (169,440,366)</b>

The accompanying notes are an integral part of these financial statements.

# Metropolitan Transportation Commission

## Statement of Activities

### For the Year Ended June 30, 2006

Functions	Expenses	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues	Primary Government				
						Governmental Activities	Business-Type Activities	Total		
Governmental Activities:										
	\$	63,297,372	\$	-	\$	54,326,890	\$	-	\$	(8,970,482)
		87,731,178		-		3,314,562		70,769,703		(13,646,913)

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Statement of Activities**  
**For the Year Ended June 30, 2005**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
					Primary Government				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues	Governmental Activities	Business-Type Activities	Total	
Governmental Activities:	General government	\$ 47,451,629	\$ -	\$ 47,782,474	\$ -	\$ 47,782,474	\$ 330,845	\$ -	\$ 330,845
	Transportation	71,885,313	-	2,382,018	44,957,468	47,339,486	(24,545,827)	-	(24,545,827)
	Total governmental activities	119,336,942	-	50,164,492	44,957,468	95,121,960	(24,214,982)	-	(24,214,982)
Business-type Activities:	Toll bridge activities	433,703,072	250,570,794	1,660,121	-	252,230,915	-	(181,472,157)	(181,472,157)
	Congestion relief	11,788,922	5,895,417	6,469,285	-	12,364,702	-	575,780	575,780
	Total business-type activities	445,491,994	256,466,211	8,129,406	-	264,595,617	-	(180,896,377)	(180,896,377)
Total primary government	\$ 564,828,936	\$ 256,466,211	\$ 58,293,898	\$ 44,957,468	\$ 359,717,577	(24,214,982)	(180,896,377)	(205,111,359)	
General revenues:									
Unrestricted investment earnings									
Transfers									
Total general revenues and transfers									
Change in net assets									
Net assets / (deficit) - beginning									
Net assets / (deficit) - ending									

The accompanying notes are an integral part of these financial statements.



**Metropolitan Transportation Commission**  
**Balance Sheet – Governmental Funds**  
**June 30, 2006**

	General	AB 664 Net Toll Revenue Reserve	STA	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents - unrestricted	\$ 19,442,347	\$ 4,505,028	\$ 49,003,371	\$ -	\$ 19,137,890	\$ 92,088,636
Cash and cash equivalents - restricted	1,066,701	-	-	-	-	1,066,701
Investments - unrestricted	186,386	32,187,058	-	-	-	32,373,444
Receivables:						
Accounts	37,171	-	-	-	-	37,171
Interest	2,105	446,028	174,999	-	1,323	624,455
State/Catrans funding	2,305,272	-	-	49,080	-	2,354,352
Federal funding	13,877,337	-	-	2,267,071	-	16,144,408
Prepaid items	614,288	-	-	-	-	614,288
Total assets	\$ 37,531,607	\$ 37,138,114	\$ 49,178,370	\$ 2,316,151	\$ 19,139,213	\$ 145,303,455
<b>Liabilities and fund balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 11,404,526	\$ 2,603,058	\$ 12,332,486	\$ 545,187	\$ 77,924	\$ 26,963,181
Accrued liabilities	3,615,247	872	-	-	43	3,616,162
Due to other funds	(1,506,112)	359,239	148,627	1,556,189	661,428	1,219,371
Total liabilities	13,513,661	2,963,169	12,481,113	2,101,376	739,395	31,798,714
<b>Fund balances</b>						
Reserved for						
Benefits Reserve	6,555,497	-	-	-	-	6,555,497
Capital Projects	2,729,122	31,164,288	4,051,083	214,775	9,500,472	47,659,740
Seismic Retrofit	3,000,000	-	-	-	-	3,000,000
Other	2,901,344	-	-	-	-	2,901,344
Unreserved, reported in						
General fund	8,831,983	-	-	-	-	8,831,983
Special revenue funds	-	3,010,657	32,646,174	-	8,899,346	44,556,177
Total fund balances	24,017,946	34,174,945	36,697,257	214,775	18,399,818	113,504,741
Total liabilities and fund balances	\$ 37,531,607	\$ 37,138,114	\$ 49,178,370	\$ 2,316,151	\$ 19,139,213	
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds						
Capital leases are not due and payable in the current period and therefore are not reported in the funds						
Compensated absences are not due and payable in the current period and therefore are not reported in the funds						
Other long-term assets are not available for current-period expenditures and, therefore, are deferred in the funds						
Net assets of governmental activities						5,826,876
						(148,435)
						(2,269,381)
						57,000,000
						\$ 173,913,801

The accompanying notes are an integral part of these financial statements.

# Metropolitan Transportation Commission

## Balance Sheet – Governmental Funds

### June 30, 2005

	As Restated	AB 664 Net Toll Revenue Reserve	STA	Capital Projects	Other Governmental Funds	As Restated Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents - unrestricted	\$ 17,181,001	\$ 12,185,083	\$ 27,607,731	\$ -	\$ 17,485,182	\$ 74,458,997
Cash and cash equivalents - restricted	1,055,366	-	-	-	-	1,055,366
Investments - unrestricted	180,072	23,853,000	-	-	-	24,033,072
Receivables:						
Accounts	32,954	-	-	-	-	32,954
Interest	1,280	125,531	60,000	-	687	187,498
State/Caltrans funding	1,790,331	-	8,372,743	-	-	10,163,074
Federal funding	8,718,874	-	-	828,797	-	9,547,671
Indirect cost recovery	789,232	-	-	-	-	789,232
Prepaid items	504,944	-	-	-	-	504,944
Total assets	\$ 30,254,054	\$ 36,163,614	\$ 36,040,474	\$ 828,797	\$ 17,485,869	\$ 120,772,808
<b>Liabilities and fund balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 7,420,253	\$ 2,250,505	\$ 7,863,801	\$ 198,412	\$ 463,177	\$ 18,196,148
Accrued liabilities	808,781	-	-	-	-	808,781
Due to other funds	787,101	-	52,807	531,445	188,708	1,560,061
Total liabilities	9,016,135	2,250,505	7,916,608	729,857	651,885	20,564,990
<b>Fund balances</b>						
Reserved for						
Benefits Reserve	6,302,954	-	-	-	-	6,302,954
Seismic Retrofit	3,000,000	-	-	-	-	3,000,000
Capital Projects	2,358,864	32,082,794	3,261,560	98,940	8,494,950	46,297,108
Other	3,984,798	-	-	-	-	3,984,798
Unreserved, reported in						
General fund	5,591,303	-	-	-	-	5,591,303
Special revenue funds	-	1,830,315	24,862,306	-	8,339,034	35,031,655
Total fund balances	21,237,919	33,913,109	28,123,866	98,940	16,833,984	100,207,818
Total liabilities and fund balances	\$ 30,254,054	\$ 36,163,614	\$ 36,040,474	\$ 828,797	\$ 17,485,869	
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds						
Capital leases are not due and payable in the current period and therefore are not reported in the funds						
Compensated absences are not due and payable in the current period and therefore are not reported in the funds						
Other long-term assets are not available for current-period expenditures and, therefore, are deferred in the funds						
Net assets of governmental activities						
						6,050,609
						(15,976)
						(2,035,441)
						56,090,000
						\$ 160,297,010

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds**  
**For the Year Ended June 30, 2006**

	<u>General</u>	<u>AB 664 Net Toll Revenue Reserve</u>	<u>STA</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
Sales taxes	\$ 10,040,904	\$ -	\$ -	\$ 314,165	\$ -	\$ 10,355,069
Grants - Federal	34,121,212	-	-	3,330,508	-	37,451,720
Grants - State	406,603	-	70,721,804	49,080	2,906,778	74,084,265
Project grants from local agencies	3,520,101	-	-	-	3,000,000	6,520,101
Investment income	756,282	1,867,630	534,650	-	837,893	3,996,455
Total revenues	48,845,102	1,867,630	71,256,454	3,693,753	6,744,671	132,407,610
<b>Expenditures</b>						
Current:						
General government	49,890,289	4,748	-	49,080	584	49,944,701
Allocations to other agencies	8,033,499	13,237,524	59,482,306	-	15,011,348	95,764,677
Capital outlay	238,823	-	-	5,400,217	-	5,639,040
Total expenditures	58,162,611	13,242,272	59,482,306	5,449,297	15,011,932	151,348,418
Excess / (deficiency) of revenues over / (under) expenditures	(9,317,509)	(11,374,642)	11,774,148	(1,755,544)	(8,267,261)	(18,940,808)
<b>Other financing sources / uses</b>						
Transfers in	12,251,035	11,636,478	-	1,755,544	10,336,611	35,979,668
Transfers out	(153,499)	-	(3,200,757)	115,835	(503,516)	(3,741,937)
Total other financing sources and uses	12,097,536	11,636,478	(3,200,757)	1,871,379	9,833,095	32,237,731
<b>Net change in fund balances</b>	2,780,027	261,836	8,573,391	115,835	1,565,834	13,296,923
<b>Fund balances - beginning</b>	21,237,919	33,913,109	28,123,866	98,940	16,833,984	100,207,818
<b>Fund balances - ending</b>	\$ 24,017,946	\$ 34,174,945	\$ 36,697,257	\$ 214,775	\$ 18,399,818	\$ 113,504,741

The accompanying notes are an integral part of these financial statements.



# Metropolitan Transportation Commission

## Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

### For the Year Ended June 30, 2005

	As Restated	As Restated							
	General	AB 664 Net Toll Revenue Reserve	STA	Capital Projects	Other Governmental Funds	Total Governmental Funds			
<b>Revenues</b>									
Sales taxes	\$ 9,561,542	\$ -	\$ -	\$ -	\$ -	\$ 9,561,542			
Grants - Federal	26,769,025	-	-	5,798,614	-	32,567,639			
Grants - State	939,273	-	43,522,214	-	2,877,999	47,339,486			
Project grants from local agencies	3,153,293	-	-	-	2,500,000	5,653,293			
Investment income	781,240	923,488	526,236	-	559,982	2,790,946			
Total revenues	41,204,373	923,488	44,048,450	5,798,614	5,937,981	97,912,906			
<b>Expenditures</b>									
Current:									
General government	38,802,136	2,849	-	-	456	38,805,441			
Allocations to other agencies	9,299,290	12,754,736	41,161,179	-	17,969,398	81,184,603			
Capital outlay	3,474,484	-	-	7,065,016	-	10,539,500			
Total expenditures	51,575,910	12,757,585	41,161,179	7,065,016	17,969,854	130,529,544			
Excess / (deficiency) of revenues over / (under) expenditures	(10,371,537)	(11,834,097)	2,887,271	(1,266,402)	(12,031,873)	(32,616,638)			
<b>Other financing sources / uses</b>									
Transfers in	5,355,310	11,913,310	-	1,266,402	10,839,709	29,374,731			
Transfers out	(10,807)	-	(1,125,900)	98,940	(1,262,556)	(2,300,323)			
Total other financing sources and uses	5,344,503	11,913,310	(1,125,900)	1,365,342	9,577,153	27,074,408			
Net change in fund balances	(5,027,034)	79,213	1,761,371	98,940	(2,454,720)	(5,542,230)			
Fund balances - beginning	26,264,953	33,833,896	26,362,495	-	19,288,704	105,750,048			
Fund balances - ending	\$ 21,237,919	\$ 33,913,109	\$ 28,123,866	\$ 98,940	\$ 16,833,984	\$ 100,207,818			

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances – Governmental Funds to the Statement of Activities**  
**For the Years Ended June 30, 2006 and 2005**

	As Restated	
	2006	2005
<b>Net change in fund balances – total governmental funds (per Statement of Revenues, Expenditures and Changes in Fund Balances)</b>	\$ 13,296,923	\$ (5,542,230)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeded non capital lease capital outlays in the current period.	(380,349)	3,105,123
Proceeds from the sale of capital assets provide financial resources to governmental funds while only the gain on the sale of the capital asset is reported in the statement of activities. Therefore, the change in net assets differ from the change in fund balance by the cost of the capital asset sold.	(96)	-
The loan receivable from another agency is not recorded as a long-term asset in the governmental funds. Additional loan advances forwarded to the agency during the fiscal year are expensed in the governmental fund but are capitalized as a long-term asset in the statement of net assets. These amounts represent fiscal 2006 and 2005 loan advances, respectively.	910,000	8,280,000
Principal repayment on capital leases in an expenditure in the governmental funds; however, the principal element of the repayment reduces long-term liabilities in the statement of net assets. This amount is the effect of the differing treatment of capital lease principal repayment.	24,253	20,469
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Compensated absences	(233,940)	(212,990)
<b>Change in net assets of governmental activities (per Statement of Activities)</b>	<b>\$ 13,616,791</b>	<b>\$ 5,650,372</b>

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Statement of Net Assets – Proprietary Funds**  
**June 30, 2006**

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents - unrestricted	\$ 628,730,183	\$ 337,448	\$ 629,067,631
Cash and cash equivalents - restricted	32,875,173	-	32,875,173
Short-term investments	817,800,548	15,827,362	833,627,910
Short-term investments - restricted	23,911,600	-	23,911,600
Account receivable	2,191,939	-	2,191,939
Receivable- Caltrans Seismic Contributions	36,451,759	-	36,451,759
Accrued interest	15,744,857	121,149	15,866,006
Prepaid expenses	98,499	202,874	301,373
State/Caltrans funding	-	6,380,692	6,380,692
Funding due from local agency	750,868	-	750,868
Other receivables due from Caltrans	-	470,400	470,400
Total current assets	1,558,555,426	23,339,925	1,581,895,351
Non-current assets:			
Capital assets:			
Furniture and equipment, net of accumulated depreciation	1,177,863	15,751	1,193,614
Call boxes, net of accumulated depreciation	-	1,153,544	1,153,544
Building	1,564,511	1,482,417	3,046,928
Capital assets, net	2,742,374	2,651,712	5,394,086
Non-current assets:			
Investments	222,318,780	-	222,318,780
Bond issuance costs	33,893,064	-	33,893,064
Total non-current assets	256,211,844	-	256,211,844
Restricted non-current assets:			
Investments	175,000,000	-	175,000,000
Total non-current assets	433,954,218	2,651,712	436,605,930
Total assets	1,992,509,644	25,991,637	2,018,501,281
<b>Liabilities</b>			
Current liabilities:			
Payable from unrestricted assets			
Accounts payable	17,151,330	1,042,301	18,193,631
Accrued expenses	3,873,103	309,764	4,182,867
Accrued interest payable	11,463,567	-	11,463,567
Unearned revenue	29,776,639	-	29,776,639
Retentions payable	219,749	31,499	251,248
Long-term debt - current	29,705,000	-	29,705,000
Due to / (from) MTC	290,905	(1,510,276)	(1,219,371)
Due to Caltrans	74,663,010	-	74,663,010
Total current liabilities payable from unrestricted assets	167,143,303	(126,712)	167,016,591
Non-current liabilities:			
Unearned revenue	2,133,400	-	2,133,400
Long-term debt, net	3,114,708,139	-	3,114,708,139
Total liabilities	3,283,984,842	(126,712)	3,283,858,130
<b>Net assets / (deficit)</b>			
Invested in capital assets, net of related debt	2,742,374	2,796,781	5,539,155
Restricted net assets	643,443,555	-	643,443,555
Unrestricted net assets	(1,937,661,127)	23,321,568	(1,914,339,559)
Total net assets / (deficit)	\$ (1,291,475,198)	\$ 26,118,349	\$(1,265,356,849)

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Statement of Net Assets – Proprietary Funds**  
**June 30, 2005**

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents - unrestricted	\$ 295,723,582	\$ 1,144,550	\$ 296,868,132
Cash and cash equivalents - restricted	34,401,887	-	34,401,887
Short-term investments	184,028,744	19,840,976	203,869,720
Accrued interest	3,283,375	84,627	3,368,002
Prepaid expenses	64,834	202,313	267,147
State/Caltrans funding	-	2,751,431	2,751,431
Tolls due from Caltrans	2,377,432	-	2,377,432
Funding due from local agency	458,223	-	458,223
Maintenance funding due from Caltrans	3,966,913	-	3,966,913
Prepayments to the Architectural Revolving Fund	61,146	-	61,146
Other receivables due from Caltrans	120	92,275	92,395
Total current assets	524,366,256	24,116,172	548,482,428
Non-current assets:			
Capital assets:			
Furniture and equipment, net of accumulated depreciation	1,413,791	23,584	1,437,375
Call boxes, net of accumulated depreciation	-	1,312,937	1,312,937
Building	1,000,000	1,000,000	2,000,000
Capital assets, net	2,413,791	2,336,521	4,750,312
Non-current assets:			
Investments	28,543,900	-	28,543,900
Bond issuance costs	12,048,163	-	12,048,163
Total non-current assets	40,592,063	-	40,592,063
Restricted non-current assets:			
Investments	175,000,000	-	175,000,000
Total non-current assets	218,005,854	2,336,521	220,342,375
Total assets	742,372,110	26,452,693	768,824,803
<b>Liabilities</b>			
Current liabilities:			
Payable from unrestricted assets			
Accounts payable	9,502,396	1,036,327	10,538,723
Accrued expenses	-	109,326	109,326
Accrued interest payable	3,765,206	-	3,765,206
Unearned revenue	20,909,956	-	20,909,956
Retentions payable	79,141	3,081	82,222
Long-term debt - current	5,785,000	-	5,785,000
Due to / (from) MTC	390,850	(1,950,911)	(1,560,061)
Due to Caltrans	63,639,738	-	63,639,738
Total current liabilities payable from unrestricted assets	104,072,287	(802,177)	103,270,110
Non-current liabilities:			
Long-term debt, net	995,292,069	-	995,292,069
Total liabilities	1,099,364,356	(802,177)	1,098,562,179
<b>Net assets / (deficit)</b>			
Invested in capital assets, net of related debt	2,413,791	2,481,591	4,895,382
Restricted net assets	257,670,228	-	257,670,228
Unrestricted net assets	(617,076,265)	24,773,279	(592,302,986)
Total net assets / (deficit)	\$ (356,992,246)	\$ 27,254,870	\$ (329,737,376)

The accompanying notes are an integral part of these financial statements.



**Metropolitan Transportation Commission**  
**Statement of Revenues, Expenses and Change in Fund Net Assets –**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
<b>Operating revenues</b>			
Toll revenues collected by Caltrans	\$ 280,276,856	\$ -	\$ 280,276,856
Department of Motor Vehicles registration fees	-	5,924,293	5,924,293
Other operating revenues	6,798,750	-	6,798,750
Total operating revenues	287,075,606	5,924,293	292,999,899
<b>Operating expenses</b>			
Operating expenses incurred by Caltrans	32,656,652	-	32,656,652
Towing contracts	-	8,179,464	8,179,464
Professional fees	22,633,672	1,335,381	23,969,053
Allocations to other agencies	17,380,548	-	17,380,548
Salaries and benefits	2,739,722	801,832	3,541,554
Repairs and maintenance	2,373	855,359	857,732
Communications charges	437	335,957	336,394
Depreciation and amortization	844,809	201,280	1,046,089
Other operating expenses	5,331,041	438,673	5,769,714
Total operating expenses	81,589,254	12,147,946	93,737,200
Operating income / (loss)	205,486,352	(6,223,653)	199,262,699
<b>Non-operating revenues / (expenses)</b>			
Investment income	44,059,545	797,834	44,857,379
Interest expense	(63,146,496)	-	(63,146,496)
Caltrans/other agency operating grants	2,858,775	5,450,857	8,309,632
Federal operating grants	-	558,611	558,611
Contributions from Caltrans	499,403,240	-	499,403,240
Distributions to other agencies for their capital purposes	(71,065,762)	(253,500)	(71,319,262)
Distributions to Caltrans for their capital purposes	(401,744,862)	-	(401,744,862)
Total non-operating revenues / (expenses), net	10,364,440	6,553,802	16,918,242
Income/(loss) before transfers and extraordinary item	215,850,792	330,149	216,180,941
<b>Transfers</b>			
Transfers to Metropolitan Transportation Commission	(30,771,061)	(1,466,670)	(32,237,731)
Income/(loss) before extraordinary item	185,079,731	(1,136,521)	183,943,210
<b>Extraordinary item</b>			
Distribution for Caltrans bond defeasance	(1,119,562,683)	-	(1,119,562,683)
<b>Change in net assets</b>	(934,482,952)	(1,136,521)	(935,619,473)
<b>Total net assets / (deficit) - beginning</b>	(356,992,246)	27,254,870	(329,737,376)
<b>Total net assets / (deficit) - ending</b>	\$ (1,291,475,198)	\$ 26,118,349	\$ (1,265,356,849)

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Statement of Revenues, Expenses and Change in Fund Net Assets –**  
**Proprietary Funds**  
**For the Year Ended June 30, 2005**

	Business-Type Activities - Enterprise Funds		
	As	As	As
	Restated	Restated	Restated
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
<b>Operating revenues</b>			
Toll revenues collected by Caltrans	\$ 248,140,901	\$ -	\$ 248,140,901
Department of Motor Vehicles registration fees	-	5,895,417	5,895,417
Other operating revenues	2,429,893	-	2,429,893
Total operating revenues	250,570,794	5,895,417	256,466,211
<b>Operating expenses</b>			
Operating expenses incurred by Caltrans	37,582,215	-	37,582,215
Towing contracts	-	7,579,203	7,579,203
Professional fees	14,033,774	1,091,785	15,125,559
Allocations to other agencies	6,817,635	-	6,817,635
Salaries and benefits	1,403,665	820,854	2,224,519
Repairs and maintenance	-	971,319	971,319
Communications charges	676	353,098	353,774
Depreciation and amortization	336,572	286,194	622,766
Other operating expenses	1,014,989	686,469	1,701,458
Total operating expenses	61,189,526	11,788,922	72,978,448
Operating income / (loss)	189,381,268	(5,893,505)	183,487,763
<b>Non-operating revenues / (expenses)</b>			
Investment income	21,234,931	511,612	21,746,543
Interest expense	(35,373,668)	-	(35,373,668)
Other non-operating expenses	-	(80,267)	(80,267)
Caltrans/other agency operating grants	1,660,121	6,457,277	8,117,398
Federal operating grants	-	92,275	92,275
Distributions to other agencies for their capital purposes	(16,697,422)	-	(16,697,422)
Distributions to Caltrans for their capital purposes	(320,442,456)	-	(320,442,456)
Total non-operating revenues / (expenses), net	(349,618,494)	6,980,897	(342,637,597)
Income/(loss) before transfers	(160,237,226)	1,087,392	(159,149,834)
<b>Transfers</b>			
Transfers to Metropolitan Transportation Commission	(26,040,892)	(1,033,516)	(27,074,408)
Transfers between programs	(396,578)	396,578	-
Total transfers	(26,437,470)	(636,938)	(27,074,408)
<b>Change in net assets</b>	(186,674,696)	450,454	(186,224,242)
<b>Total net assets / (deficit) - beginning</b>	(170,317,550)	26,804,416	(143,513,134)
<b>Total net assets / (deficit) - ending</b>	\$ (356,992,246)	\$ 27,254,870	\$ (329,737,376)

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Statement of Cash Flows – Proprietary Funds**  
**For the Year Ended June 30, 2006**

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
<b>Cash flows from operating activities</b>			
Cash receipts from users	\$ 295,429,345	\$ 5,924,293	\$ 301,353,638
Cash payments to Caltrans and suppliers for services	(63,870,058)	(11,263,234)	(75,133,292)
Other receipts	6,798,870	(4,007,386)	2,791,484
<b>Net cash provided by / (used in) operating activities</b>	<b>238,358,157</b>	<b>(9,346,327)</b>	<b>229,011,830</b>
<b>Cash flows from non-capital financing activities</b>			
Caltrans and other local agency grants	2,566,130	5,450,857	8,016,987
Payment for defeasance of Caltrans bonds	(1,119,562,683)	-	(1,119,562,683)
Proceeds from issuance of revenue bonds	2,149,205,000	-	2,149,205,000
Bond issuance costs	(22,493,021)	-	(22,493,021)
Interest paid on bonds & capital leases	(55,448,135)	-	(55,448,135)
Federal operating grants	-	558,611	558,611
Transfers to MTC	(30,771,061)	(1,466,670)	(32,237,731)
Contributions from Caltrans	462,951,481	-	462,951,481
Bond principal payment	(5,785,000)	-	(5,785,000)
Distributions to Caltrans	(396,066,944)	-	(396,066,944)
Distributions to other agencies	(71,065,762)	(253,499)	(71,319,261)
<b>Net cash provided by / (used in) non-capital financing activities</b>	<b>913,530,005</b>	<b>4,289,299</b>	<b>917,819,304</b>
<b>Cash flows from capital and related financing activities</b>			
Amounts charged against Architecture Revolving Fund (ARF)	61,146	-	61,146
Expenditures for facilities, property and equipment	(609,200)	(525,000)	(1,134,200)
<b>Net cash provided by / (used in) capital and related financing activities</b>	<b>(548,054)</b>	<b>(525,000)</b>	<b>(1,073,054)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale & maturities of investments	1,610,136,533	55,839,858	1,665,976,391
Purchase of investments	(2,461,537,969)	(51,809,114)	(2,513,347,083)
Interest and dividends received	31,541,215	744,182	32,285,397
<b>Net cash provided by / (used in) investing activities</b>	<b>(819,860,221)</b>	<b>4,774,926</b>	<b>(815,085,295)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>331,479,887</b>	<b>(807,102)</b>	<b>330,672,785</b>
<b>Balances - Beginning of year</b>	<b>330,125,469</b>	<b>1,144,550</b>	<b>331,270,019</b>
<b>Balances - End of year</b>	<b>\$ 661,605,356</b>	<b>\$ 337,448</b>	<b>\$ 661,942,804</b>
<b>Schedule of noncash activities</b>			
Loss on abandonment of capital asset - noncash	\$ -	\$ 8,529	\$ 8,529

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Statement of Cash Flows – Proprietary Funds, *continued***  
**For the Year Ended June 30, 2006**

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
<b>Reconciliation of operating income to net cash provided by / (used in) operating activities</b>			
Operating income / (loss)	\$ 205,486,352	\$ (6,223,653)	\$ 199,262,699
Adjustments to reconcile operating income to net cash provided by / (used in) operating activities:			
Depreciation and amortization	844,806	201,280	1,046,086
Net effect of changes in:			
Loss on abandonment of asset	-	8,529	8,529
Due from Caltrans	6,344,345	-	6,344,345
Accounts receivable	(2,191,939)	-	(2,191,939)
Prepaid expenses and other assets	(33,665)	(562)	(34,227)
Due to Caltrans	5,345,354	(4,007,386)	1,337,968
Unearned revenue	11,000,083	-	11,000,083
Other receivables due from Caltrans	120	-	120
Accounts payable and accrued expenses	11,562,701	675,465	12,238,166
<b>Net cash provided by / (used in) operating activities</b>	<b>\$ 238,358,157</b>	<b>\$ (9,346,327)</b>	<b>\$ 229,011,830</b>

The accompanying notes are an integral part of these financial statements.



**Metropolitan Transportation Commission**  
**Statement of Cash Flows – Proprietary Funds**  
**For the Year Ended June 30, 2005**

	Business-Type Activities - Enterprise Funds		
	As Restated	As Restated	As Restated
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
<b>Cash flows from operating activities</b>			
Cash receipts from users	\$ 274,776,745	\$ 5,895,417	\$ 280,672,162
Cash payments to Caltrans and suppliers for service	(55,749,569)	(12,823,930)	(68,573,499)
Other receipts	6,829,773	(92,275)	6,737,498
<b>Net cash provided by / (used in) operating activities</b>	225,856,949	(7,020,788)	218,836,161
<b>Cash flows from non-capital financing activities</b>			
Caltrans operating grants	1,679,945	6,457,277	8,137,222
Federal operating grants	-	92,275	92,275
Distributions to Caltrans	(347,037,234)	-	(347,037,234)
Distributions to other agencies	(16,697,422)	-	(16,697,422)
Proceeds from issuance of revenue bonds	300,000,000	-	300,000,000
Bond issuance costs	(4,801,680)	-	(4,801,680)
Interest paid on bonds & capital leases	(34,542,945)	-	(34,542,945)
Transfers to MTC	(26,221,934)	(1,575,031)	(27,796,965)
Transfers to SAFE	(396,578)	396,578	-
<b>Net cash provided by / (used in) non-capital financing activities</b>	(128,017,848)	5,371,099	(122,646,749)
<b>Cash flows from capital and related financing activities</b>			
Amounts charged against Architecture Revolving Fund (ARF)	52,477	-	52,477
Proceeds from sale of facilities, property and equipment	-	30,276	30,276
Expenditures for facilities, property and equipment	(2,407,992)	(1,000,000)	(3,407,992)
<b>Net cash provided by / (used in) capital and related financing activities</b>	(2,355,515)	(969,724)	(3,325,239)
<b>Cash flows from investing activities</b>			
Proceeds from sale & maturities of investments	1,943,773,370	52,749,537	1,996,522,907
Purchase of investments	(1,954,730,343)	(59,297,493)	(2,014,027,836)
Interest and dividends received	20,171,223	404,332	20,575,555
<b>Net cash provided by / (used in) investing activities</b>	9,214,250	(6,143,624)	3,070,626
<b>Net increase / (decrease) in cash and cash equivalents</b>	104,697,836	(8,763,037)	95,934,799
<b>Balances - Beginning of year</b>	225,427,633	9,907,587	235,335,220
<b>Balances - End of year</b>	\$ 330,125,469	\$ 1,144,550	\$ 331,270,019

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Statement of Cash Flows – Proprietary Funds, *continued***  
**For the Year Ended June 30, 2005**

	Business-Type Activities - Enterprise Funds		
	As	As	As
	Restated	Restated	Restated
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
<b>Reconciliation of operating income to net cash provided by / (used in) operating activities</b>			
Operating income / (loss)	\$ 189,381,268	\$ (5,893,505)	\$ 183,487,763
Adjustments to reconcile operating income to net cash provided by / (used in) operating activities:			
Depreciation and amortization	336,572	286,194	622,766
Net effect of changes in:			
Tolls due from Caltrans	5,725,888	-	5,725,888
Prepaid expenses and other assets	21,939	(7,763)	14,176
Due to Caltrans	(2,308,451)	-	(2,308,451)
Unearned revenue	20,909,956	-	20,909,956
Other receivables due from Caltrans	4,399,880	(92,275)	4,307,605
Accounts payable and accrued expenses	7,389,897	(1,313,439)	6,076,458
<b>Net cash provided by / (used in) operating activities</b>	<b>\$ 225,856,949</b>	<b>\$ (7,020,788)</b>	<b>\$ 218,836,161</b>

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Statement of Fiduciary Assets and Liabilities – Agency Funds**  
**June 30, 2006 and 2005**

---

	2006	2005
<b>Assets</b>		
Cash and cash equivalents	\$ 100,214,022	\$ 91,485,553
<b>Total Assets</b>	<u>\$ 100,214,022</u>	<u>\$ 91,485,553</u>
<b>Liabilities</b>		
Accounts payable	\$ 7,758,425	\$ 6,061,249
Due to other governments	92,455,597	85,424,304
<b>Total Liabilities</b>	<u>\$ 100,214,022</u>	<u>\$ 91,485,553</u>

The accompanying notes are an integral part of these financial statements.

# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2006 and 2005**

### **Notes to Financial Statements**

---

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **A. Reporting entity**

The Metropolitan Transportation Commission (MTC) was established under Government Code Section 66500 et seq. the laws of the State of California (State) in 1970 to provide comprehensive regional transportation planning for the nine counties that comprise the San Francisco Bay Area, which includes the City and County of San Francisco and the Counties of Alameda, Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano and Sonoma.

The MTC's principal sources of revenue to fund its operations include state grants, a percentage of the sales tax revenues collected in the nine Bay Area Counties under the State Transportation Development Act of 1971 (TDA) and grants from the U.S. Department of Transportation, Office of the Secretary of Transportation (U.S. DOT), including the Federal Highway Administration (FHWA), Federal Transit Administration (FTA) and other federal, state and local agencies.

The accompanying financial statements present MTC and its blended component units. MTC is the primary government as defined in Governmental Accounting Standards Board Statement No. 14. Its governing board is separately appointed and it is fiscally independent of other governments. The blended component units discussed below are included as part of the reporting entity because they are financially accountable to MTC. The blended component units, although legally separate entities are, in substance, part of the MTC's operations and financial data from these units are combined with financial data of MTC in preparing the government-wide financial statements. The Commission serves as the governing body for MTC and all its blended component units.

##### ***Blended component units***

###### **i.) Bay Area Toll Authority**

The Bay Area Toll Authority (BATA) is a public agency created by Senate Bill 226 effective January 1, 1998. Senate Bill 226 amended Streets and Highway Code Section 30950 et seq. and transferred to BATA certain California Transportation Commission (CTC) and State of California, Department of Transportation (Caltrans) duties and responsibilities for the disposition of toll revenues collected from toll bridges owned and operated by Caltrans in the San Francisco Bay Area. These responsibilities also include administration of the Regional Measure 1 capital improvement program approved by the voters in 1988. The toll bridges are the Antioch Bridge, Benicia-Martinez Bridge, Carquinez Bridge, Dumbarton Bridge, Richmond-San Rafael Bridge, San Francisco-Oakland Bay Bridge and San Mateo-Hayward Bridge.

Pursuant to Senate Bill 226, a five year Cooperative Agreement was signed on March 2, 1998 defining the roles and responsibilities of BATA and Caltrans. A new ten-year agreement was signed in January 2003 and amended in 2005. The current ten-year agreement was signed in 2006.



# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2006 and 2005**

### **Notes to Financial Statements**

---

BATA is required to prepare and adopt a budget by July 1 for each fiscal year. BATA adopted a Long Range Plan for Regional Measure 1 projects as required by the Streets and Highway Code. With the concurrence of Caltrans, the plan gives first priority to projects and expenditures that are deemed necessary by Caltrans to preserve and protect the bridges as provided by the Streets and Highway Code and to pay Caltrans for costs incurred and as authorized in the annual budgets adopted by BATA.

In March 2004, seven Bay Area counties approved Regional Measure 2 (RM2). Regional Measure 2 increased the bridge toll by one dollar for all seven bridges in order to fund various capital and operating programs for congestion relief. BATA controls the RM2 allocations. This dollar surcharge became effective July 1, 2004.

Caltrans' responsibilities include the ownership, operation and maintenance of the bridges. Under the terms of the Cooperative Agreement signed in January 2003, BATA assumed responsibility for electronic toll collection starting in April 2004. BATA's FasTrak® Center consolidated its operations to include Golden Gate Bridge Highway and Transportation District on May 30, 2005.

The California State Legislature approved Assembly Bill (AB) 144 on July 18, 2005, which transferred toll bridge administration responsibility from Caltrans to BATA. This responsibility includes consolidation of all the bridge revenue, including the state seismic dollar for the seven bridges, under BATA's administration. The state seismic dollar was formerly administered by Caltrans to be used to complete the Seismic Retrofit Program. AB 144 also created a new seismic project oversight board, called the Toll Bridge Project Oversight Committee. This Committee consists of Caltrans, BATA, and the California Transportation Commission. This Committee has oversight for the Benicia-Martinez Bridge project and the state toll bridge seismic retrofit program, which includes reviewing bid documents, change orders, and monitoring ongoing costs. The bill also gave BATA unlimited project level toll revenue setting authority to complete the Seismic Retrofit Program. Caltrans had previously issued bonds that were backed by the revenue generated by the seismic dollar. BATA issued bonds to defease the Caltrans bonds, which had been issued by the California Infrastructure and Economic Development Bank (Ibank). BATA distributed the bond proceeds to the escrow bank for defeasance of the Caltrans bonds on April 25, 2006.

BATA is a proprietary fund as its debt is backed solely by fees from the toll bridge revenue.

#### **ii.) MTC Service Authority for Freeways and Expressways (MTC SAFE)**

In June 1988, the MTC SAFE was created to receive fees collected by the Department of Motor Vehicles pursuant to Streets and Highways Code Section 2500 et seq., which permits the collection of up to \$1 per registered vehicle in participating counties. The MTC SAFE is responsible for administering a freeway motorist aid system in the participating counties, referred to as the Call Box program. The following counties are participants in the MTC SAFE: San Francisco, Alameda, Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano and Sonoma.

# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2006 and 2005**

### **Notes to Financial Statements**

---

In 1993, the MTC SAFE's responsibilities were expanded, pursuant to a jointly adopted Memorandum of Understanding between the MTC SAFE, Caltrans, and the California Highway Patrol (CHP), to participate in the development and implementation of a Freeway Service Patrol (FSP) program in the San Francisco Bay Area. The three principal sources of funding for the FSP program are state-legislated grants, federal grants, and funding from federal traffic mitigation programs. In addition, the Call Box program supports the FSP program by transferring funds each year.

The management of the MTC SAFE has contracted with the MTC to utilize the administrative personnel and facilities of the MTC.

#### **iii.) MTC Special Revenue Funds**

**AB 664 Net Toll Revenue Reserve Fund** – These funds are allocated, seventy percent to East Bay and thirty percent to West Bay, to capital projects that further the development of public transit in the vicinity of the three southern Bay Area bridges, including transbay and transbay feeder transit services. Substantially all of the current AB 664 Net Toll Revenue Reserves are used to match federal transit funds designated for replacement buses and capital facility improvement. Section 30884 (a) of the Streets and Highway Code states the AB 664 Net Toll Revenue receives 16 percent the base toll revenues collected on the three southern bridges, San Francisco-Oakland Bridge, Dumbarton Bridge, and San Mateo-Hayward Bridge.

**State Transit Assistance (STA) Fund** – State Transit Assistance Funds are used for transit and Paratransit operating assistance, transit capital projects, and regional transit coordination. STA funds are derived from the state sales tax on fuel and apportioned by state statute between population-based and revenue-based accounts. PUC Section 99313 defines population-based funds and PUC Section 99314 defines revenue-based funds.

**Transit Reserve Fund** – The 1988 Regional Measure 1 toll increase authorizes up to 3 percent of toll revenue to be used for congestion-relieving transit operations and capital projects in the bridge corridors and an additional 2 percent of the increase to be used for ferry service capital projects. The calculation of the transit reserves was revised in Section 30913 (b) of the Streets and Highway Code to 1/3 of 2 percent of base toll revenues collected on all seven Bay Area state-owned bridges effective January 1, 2004. When the state-owned toll bridges became eligible for federal funding in April 2000, transit operations could no longer be funded because federal funding guidelines allow toll revenues to be used for transit capital projects but not for transit operations. As such, MTC no longer funds transit operations with toll revenue.

Caltrans entered into a Cooperative Agreement with BATA and MTC whereby Caltrans transferred state funding (Five Percent Unrestricted State Funds) to MTC to replace the Toll Funds previously used for transit operations. As a result of this agreement, new programming and allocation policies were established in MTC Resolution No. 3288, with the Unrestricted State Funds supporting ferry operations and other transit/bicycle projects, and toll revenue transfers limited to ferry capital improvements.

# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2006 and 2005

### Notes to Financial Statements

---

**Rail Extension Reserve Fund** – Rail extension funds are allocated exclusively for rail transit capital extension and improvement projects that are designed to reduce vehicular traffic congestion on the San Francisco-Oakland Bay Bridge. Seventy percent of the Rail Extension Reserves are allocated for East Bay rail improvements and the remaining 30 percent for West Bay rail improvements. Section 30914 (a.4) of the Streets and Highway Code states that rail extension reserve receives 21 percent of base toll revenues collected on the San Francisco-Oakland Bay Bridge.

**Exchange Fund** – Exchange Funds are used for MTC projects adopted as part of its State Transit Program (STP) and Congestion Mitigation and Air Quality Improvement (CMAQ) programs.

**Feeder Bus Fund** – Are to reimburse various transit operators for operating the BART Express Bus Program.

#### iv.) MTC Capital Projects Fund

MTC Capital Projects Fund is used to account for the financial resources used in the acquisition and development of major capital projects. The TransLink<sup>®</sup> project and fund management project are the capital projects included in the current fiscal year.

Major sources of revenue for include operating grants, capital grants, and sales tax revenue. Operating grants include federal, state, and local grants. Capital grants include mainly federal and local grants. The federal and state grants are administered by Caltrans. State Transit Assistance funds and AB1107 funds come directly from the State of California. MTC receives a percentage of sales tax revenue for planning and administrative expenditures. Revenue from local agencies is mainly used as either a local match for federal projects. BATA also pays an administrative fee to MTC based on its revenue as required by law.

#### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. Statement of Net Assets and Statement of Activities) report information on all non-fiduciary activities of MTC and its component units. The effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2006 and 2005**

### **Notes to Financial Statements**

---

#### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

For the year ended June 30, 2002, MTC adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management’s Discussion & Analysis – for State and Local Governments* as amended by GASB Statement No. 37, *Basic Financial Statements – Management’s Discussion & Analysis – for State and Local Governments: Omnibus*. GASB 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into three net asset categories; namely, those invested in capital assets, net of related debt, restricted net assets and unrestricted net assets. For the year ended June 30, 2002, MTC follows adopted GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. GASB 38 modifies, establishes, and rescinds certain financial statement disclosure requirements. For the year ended June 30, 2005, MTC adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. GASB Statement No. 40 is an amendment to GASB Statement No. 3, which establishes and modifies the disclosure requirements required related to deposit and investment risk such as credit risk, custodial credit risk, concentration of credit risk, and interest rate risk. The implementation of GASB Statement No. 40 had no effect on MTC’s assets or changes in net assets. For the year ended June 30, 2006, MTC adopted GASB Statement No. 44, *Economic Condition Status Reporting: The Statistical Section*. GASB 44 provides guidance and objectives for the statistical reporting of information found in GASB 34 financial statements.

GASB Statement No.42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which establishes accounting and financial reporting standards for impairment of capital assets as well as GASB Statement No. 47, *Accounting for Termination Benefits*, which provides guidance on how employers should account for benefits associated with either voluntary or involuntary terminations have not been adopted by MTC for fiscal year ended June 30, 2006 as they are not currently applicable to MTC. GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which provides guidance on how state and local governments should account for and report costs and obligations associated with postemployment healthcare and other nonpension benefits commonly referred to as other postemployment benefits, or OPEB will be effective for MTC’s fiscal year ending June 30, 2007.

With respect to the business-type activities of MTC and as required under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, MTC will continue to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. MTC has elected under GASB Statement No. 20 to not apply all FASB Statements and Interpretations issued after November 30, 1989, due to the governmental nature of MTC’s operations.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial

# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2006 and 2005

### Notes to Financial Statements

---

statements. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectable within the current period or 30 days after to pay liabilities of the current period. The STA Fund utilizes this revenue recognition method.

MTC reports the following governmental funds:

The *general fund* is used to account for those financial resources that are not required to be accounted for in another fund. MTC's general fund is its primary operating fund.

*Special revenue funds* are used to account for proceeds of specific revenue sources, other than major capital projects, that are legally restricted to expenditures for specified purposes. MTC's special revenue funds include the AB 664 Net Toll Revenue Reserves Fund, the STA Fund, the Transit Reserve Fund, the Rail Extension Reserve Fund, the Exchange Fund, and the Feeder Bus Fund.

In fiscal 2006, the following funds are considered nonmajor special revenue funds: the Transit Reserve Fund, the Rail Extension Reserve Fund, the Exchange Fund, and the Feeder Bus Fund. Since these funds did not meet the major fund test, management has included them in Other Governmental Funds. The individual funds are presented in Schedules 1 and 2 for fiscal 2006.

The opening fund balance of the combined nonmajor special revenue funds is as follows:

	<b>Opening Balance</b>
	<b><u>2006</u></b>
Transit Reserve Fund	\$ 840,321
Rail Extension Reserve Fund	4,831,941
Exchange Fund	11,118,617
Feeder Bus Fund	<u>43,105</u>
Total	<u><u>\$16,833,984</u></u>

The *capital projects fund* is used to account for the financial resources used in the acquisition and development of major capital projects. There are two projects included in this fund in fiscal 2006 – the TransLink® project and the fund management project. The TransLink® project was the only capital project in fiscal 2005.

In fiscal 2006, the following funds are considered major governmental funds: MTC General Fund, AB 664 Net Toll Revenue Reserves Fund, STA Fund, and Capital



# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2006 and 2005

### Notes to Financial Statements

---

Projects. The balance sheet and statements of revenues, expenditures and changes in fund balances and budget to actual statements of revenues and change in fund balances are presented for these funds.

MTC reports the following major proprietary funds:

The *Bay Area Toll Authority (BATA) fund* is used to account for the activities of BATA with responsibilities for the disposition of toll revenues collected from toll bridges owned and operated by the state in the San Francisco Bay Area. BATA is a blended component unit of MTC.

The *MTC Service Authority for Freeways and Expressways (SAFE) fund* is used to account for the activities of MTC SAFE with responsibilities for administering a freeway motorist aid system in the participating counties as well as providing tow truck services to stranded motorists. MTC SAFE is a blended component unit of MTC.

Additionally, MTC reports the following fiduciary funds to account for assets held by MTC in a trustee capacity or as an agent. These agency funds are custodial in nature and do not have a measurement of results of operations. They are on the accrual basis of accounting.

The *AB 1107 fund* is used to account for the activities of the AB 1107 Program. AB 1107 funds are sales tax revenue collected under the ordinance adopted pursuant to Section 29140 of the Public Utilities Code. These funds are administered by MTC for allocation to the Alameda-Contra Costa Transit District (AC Transit) and the City and County of San Francisco for its municipal railway system (MUNI) on the basis of regional priorities established by the MTC.

The *Transportation Development Act (TDA) Program fund* is used to account for the activities of the TDA Program. In accordance with state regulations and memoranda of understanding with operators and local municipalities, MTC is responsible for the administration of sales tax revenue derived from the TDA.

#### **D. Budgetary Accounting**

Enabling legislation and adopted policies and procedures provide that MTC approve an annual budget by June 30 of each year. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental and proprietary funds. MTC also approves a life of project budget whenever new capital projects are approved. MTC presents a preliminary budget in May. The final budget is presented in June. MTC conducts hearings for discussion of the proposed annual budget and at the conclusion of the hearings, but not later than June 30, adopts the final budget for the following fiscal year. The appropriated budget is prepared by fund, project and expense type. The legal level of control is at the fund level and the governing body must approve additional appropriations. Budget amendments are recommended when needed. Operating appropriations lapse at fiscal year-end.

# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2006 and 2005**

### **Notes to Financial Statements**

---

MTC employs the following practices and procedures in establishing budgetary data on a basis consistent with accounting principles generally accepted in the United States of America as reflected in the basic financial statements:

- Annual budgets are adopted on the modified accrual basis of accounting for governmental fund types. These include the general fund, plus major and nonmajor special revenue funds.
- Annual budgets are adopted on the accrual basis for the proprietary fund types.

#### **E. Encumbrances**

Encumbrance accounting is employed in the general and special revenue funds. Under this method, purchase orders, contracts, memoranda of understanding and other commitments outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. These commitments will be recognized in subsequent year appropriations.

#### **F. Cash and Investments**

MTC applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which requires investments to be recorded at fair value with the difference between cost and fair value recorded as an unrealized gain or loss. Investments are stated at fair value based upon quoted market prices. Net increases or decreases in the fair value of investments are shown in the Statements of Revenues, Expenditures and Changes in Fund Balance for all governmental fund types and in the Statements of Revenues, Expenditures and Changes in Net Assets for the proprietary funds.

##### ***Cash and Cash Equivalents***

For the purpose of the Statement of Cash Flows, MTC considers all highly liquid investments with a maturity of three months or less at date of purchase to be cash and cash equivalents. Deposits in the investment pool of the County of Alameda are presented as cash and cash equivalents.

##### ***Restricted Cash***

Cash is restricted as these assets are either advances used for a specific purpose with the balance being refunded upon project completion, prepaid deposits for the FasTrak<sup>®</sup> program, or balances in the bond Reserve Fund.

##### ***Restricted Investments***

Certain investments are classified as restricted on the Statement of Net Assets because their use is limited externally by applicable bond covenants, laws or regulations or there exists an imposed restriction through enabling legislation. Restricted short-term investments of \$23,911,600 is for the bond Reserve Fund.

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2006 and 2005**  
**Notes to Financial Statements**

---

**G. Capital Assets**

Capital assets, which include buildings and improvements, office furniture and equipment, leased equipment, automobiles and call boxes, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost. Depreciation expense for the governmental activities is charged against general government function.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimate useful life in excess of three years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is computed using the straight-line method that is based upon the estimated useful lives of individual capital assets. The estimated useful lives of capital assets are as follows:

	<u>Years</u>
Buildings and improvements	10 - 45
Office furniture and equipment	3 - 10
Leased equipment	5
Automobiles	3
Call boxes	10

**H. Net Assets**

Net assets represent residual interest in assets after liabilities are deducted. Net assets consist of three sections: Invested in capital assets, net of related debt, as well as restricted and unrestricted. Net assets are reported as restricted when constraints are imposed by third parties or enabling legislation. Restricted net assets consist of amounts restricted for capital expenditures and other purposes as follows:

	<b>2006</b>	<b>2005</b>
Restricted for Capital Projects	<u>\$ 47,659,740</u>	<u>\$ 46,297,108</u>
Other Purposes:		
RM 2 program reserve	66,127,649	82,670,228
Seismic program reserve	378,167,638	-
Debt covenant - operating & maintenance reserve	125,000,000	125,000,000
Debt covenant - reserve fund	24,148,268	-
Self insurance reserve	50,000,000	50,000,000
Long-term receivable restricted for use by 90% rail reserve fund	57,000,000	56,090,000
Other	<u>12,456,841</u>	<u>2,064,008</u>
Total Other Purposes	<u>\$ 712,900,396</u>	<u>\$ 315,824,236</u>

# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2006 and 2005

### Notes to Financial Statements

---

#### **I. Retirement Plans**

MTC provides a defined benefit pension plan, the Miscellaneous Plan of Metropolitan Transportation Commission (the "Plan") which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers in the State.

#### **J. Postretirement Health Benefits**

The MTC pays certain health care insurance premiums for retired employees. Employees may become eligible for these benefits if they reach normal retirement age while working for the MTC. The number of participants eligible to receive benefits was 45 for the year ended June 30, 2006. The cost of retiree health care insurance premiums is recognized as an expense as premiums are paid. For the years ended June 30, 2006 and 2005, those costs totaled \$308,512 and \$268,105, respectively.

#### **K. Compensated Absences**

MTC's regular staff employees accumulate vacation pay and sick leave pay based on the agreement with the Committee for Staff Representation pursuant to the Meyers-Milias-Brown Act. A liability exists for accumulated vacation and sick leave. The compensated absences liability presented in the government-wide governmental activities totals \$2,269,381 and \$2,035,441 at June 30, 2006 and 2005, respectively. Unused accumulated sick and vacation leave is paid at the time of employment termination up to a maximum of 240 hours for sick leave as well as the total accumulated vacation leave per employee.

A summary of changes in compensated absences for the year ended June 30, 2006 is as follows:

	<b>Beginning Balance July 1, 2005</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2006</b>	<b>Due Within One Year</b>
Compensated Absences	\$2,035,441	\$1,576,300	\$ (1,342,360)	\$ 2,269,381	\$ 1,064,694
Total Compensated Absences	<u>\$2,035,441</u>	<u>\$1,576,300</u>	<u>\$ (1,342,360)</u>	<u>\$ 2,269,381</u>	<u>\$ 1,064,694</u>

A summary of changes in compensated absences for the year ended June 30, 2005 is as follows:

	<b>Beginning Balance July 1, 2004</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2005</b>	<b>Due Within One Year</b>
Compensated Absences	\$1,822,451	\$1,475,318	\$ (1,262,328)	\$ 2,035,441	\$ 909,367
Total Compensated Absences	<u>\$1,822,451</u>	<u>\$1,475,318</u>	<u>\$ (1,262,328)</u>	<u>\$ 2,035,441</u>	<u>\$ 909,367</u>

# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2006 and 2005**

### **Notes to Financial Statements**

---

#### **L. Maintenance Funding due from Caltrans**

In accordance with Amendment No. 2 to the Cooperative Agreement between BATA and Caltrans, Caltrans agreed to reimburse BATA for tow services financed with toll funds from fiscal year 1993 through fiscal year 2001. The reimbursement receivable totals \$0 and \$3,966,913 at June 30, 2006 and 2005, respectively. The settlement of the maintenance funding due from the state is to be provided in the form of an offset of capital expenses incurred and to be incurred on the Richmond-San Rafael Bridge Trestle Project and Richmond-San Rafael Bridge Deck project. For the years ended June 30, 2006 and 2005, Caltrans incurred \$3,966,913 and \$0, respectively in expenses as an offset against the settlement.

#### **M. Unearned Revenue**

The unearned revenue in BATA represents the funds collected by the Regional Customer Service Center (RCSC) that are prepayments for tolls or represents a deposit from patrons. The patrons are issued transponders with the prepaid amounts for usage against tolls on the California bridges. Patrons are required to contribute a deposit if they pay by check.

#### **N. Toll Revenues Collected by Caltrans**

After toll revenues are collected by Caltrans, BATA accounts for the cash collection from the operation of the bridges and transfers revenues for the seismic retrofit charges to Caltrans. After the bond defeasance in April 2006, the revenue for the seismic retrofit charges also remained with BATA. This revenue is used for seismic retrofit program. BATA recognizes toll revenue as amounts are earned from vehicle utilization of the toll bridges.

#### **O. Operating Expenditures Incurred by Caltrans**

In accordance with the Cooperative Agreement between BATA and Caltrans, BATA reimburses Caltrans for certain costs incurred for bridge operating expenditures. These expenses include maintenance, administration and operations costs.

#### **P. Distributions to Caltrans for their Capital Purposes**

In accordance with the Cooperative Agreement between BATA and Caltrans, BATA reimburses Caltrans for bridge capital expenses.

#### **Q. Contribution from Caltrans**

As provided by the Assembly Bill (AB) 144 and in accordance with the Cooperative Agreement between BATA and Caltrans, Caltrans has transferred to BATA a portion of the revenues and existing fund balances collected on or before April 25, 2006. The transfer was \$462,951,481 in cash. A receivable of \$36,451,759 was received in early fiscal 2007. No gains or losses have been recognized on this transfer.



# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2006 and 2005**

### **Notes to Financial Statements**

---

#### **R. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **S. Operating and Non-operating Revenues and Expenses**

Operating revenues and expenses are those related to user service activities. Non-operating revenues and expenses are all others revenues and expenses not related to user service activities.

## **2. RESTATEMENTS OF FINANCIAL STATEMENTS**

MTC has concluded that the following financial statements, each included in MTC's Comprehensive Annual Financial Report, as of and for the year ended June 30, 2005, should no longer be relied upon because of errors in those financial statements relating to the classification of non-operating expense payments by BATA to Caltrans and other agencies, transfers between BATA and MTC SAFE, the recording of cash flows from non-capital financing activities and the accounting for compensated absences in the MTC General Fund:

- Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds for the year ended June 30, 2005
- Statement of Cash Flows – Proprietary Funds for the year ended June 30, 2005
- Balance Sheet – Governmental Funds as of June 30, 2005
- Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for the year ended June 30, 2005
- Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities for the year ended June 30, 2005

Management determined that an amount paid by BATA to Caltrans in the amount of \$320,442,456 was incorrectly recorded as capital distributions in the "Statement of Revenues, Expenses and Change in Fund Net Assets - Proprietary Funds" for the year ended June 30, 2005. Generally Accepted Accounting Principles (GAAP) requires that the amount be recorded as a non-operating expense. The correction of this error, together with the correction of recording similar payments to other agencies in the amount of \$16,697,422, resulted in a total increase in BATA non-operating expenses of \$337,139,878 and a corresponding decrease in the amounts previously reported as capital distributions. In addition, the BATA income/(loss) before transfers decreased from an income before

# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2006 and 2005**

### **Notes to Financial Statements**

---

transfers of \$176,902,652 to a loss before transfers of \$160,237,226. There is no impact on the change in fund net assets for the year ended June 30, 2005.

Management determined that a transfer from BATA to MTC SAFE in the amount of \$396,578 was incorrectly recorded as a capital contribution between programs in the "Statement of Revenues, Expenses and Change in Fund Net Assets - Proprietary Funds" for the year ended June 30, 2005. GAAP requires that the amount be recorded as a transfer. The correction of this error resulted in an increase in BATA transfer expense of \$396,578 and a corresponding increase in MTC SAFE transfer income. There is no impact on either income before other revenues, expenses, gains and losses and transfers or change in fund net assets for the year ended June 30, 2005.

Management determined that certain items were incorrectly reported in the "Statement of Cash Flows – Proprietary Funds" for the year ended June 30, 2005 as cash flows from capital and related financing activities. GAAP requires that the items as described below be reported as cash flows from non-capital financing activities. These amounts include BATA bond proceeds of \$300,000,000, BATA bond issuance costs of \$4,801,680, BATA bond interest paid of \$34,542,945, BATA transfers to MTC of \$26,221,934, MTC SAFE transfers to MTC of \$1,575,031 and transfers from BATA to MTC SAFE in the amount of \$396,578. The correction of these errors resulted in a decrease in BATA cash provided by capital and related financing activities of \$234,036,863 with a corresponding increase in BATA cash provided by non-capital financing activities for the year ended June 30, 2005 as well as an increase in MTC SAFE cash provided by capital and related financing activities of \$1,178,453 with a corresponding decrease in MTC SAFE cash provided by non-capital financing activities for the year ended June 30, 2005.

The MTC general fund included an accrual for compensated absences in the amount of \$2,035,441 as of June 30, 2005. Management determined that under the modified accrual basis of accounting applicable to the general fund the recording of this accrual was not in accordance with GAAP. The correction of this error resulted in a \$2,035,441 decrease in the MTC general fund accrued liabilities as of June 30, 2005, a decrease of \$212,990 in the MTC general fund expenditures for the year ended June 30, 2005 and an increase of \$1,822,451 in the MTC general fund beginning fund balance as of July 1, 2004. In addition, as of June 30, 2005, the correction of this error resulted in an additional \$2,035,441 reconciling item, as disclosed in the net assets as reported in the government-wide financial statements. Further, for the year ended June 30, 2005, the correction of this error resulted in an additional \$212,990 reconciling item, as disclosed in the "Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities for the year ended June 30, 2005", between the "Net Change in Fund Balances – Total Governmental Funds (per Statement of Revenues, Expenditures and Changes in Fund Balances)" and the "Change in Net Assets of Governmental Activities (per Statement of Activities)".

All financial information set forth below reflects the restatement of MTC's financial statements, included in MTC's Comprehensive Annual Financial Report, as of and for the year ended June 30, 2005.

# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2006 and 2005

### Notes to Financial Statements

#### Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds For the Year Ended June 30, 2005

	As Reported	Adjustments	As Restated	As Reported	Adjustments	As Restated	As Reported	Adjustments	As Restated
	Bay Area Toll Authority	Bay Area Toll Authority	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Service Authority for Freeways and Expressways	Service Authority for Freeways and Expressways	Total	Total	Total
<b>Operating revenues</b>									
Toll revenues collected by Caltrans	\$ 248,140,901	-	\$ 248,140,901	\$ -	\$ -	\$ -	\$ 248,140,901	\$ -	\$ 248,140,901
Department of Motor Vehicles registration fees	-	-	-	5,895,417	-	5,895,417	5,895,417	-	5,895,417
Other operating revenues	2,429,893	-	2,429,893	-	-	-	2,429,893	-	2,429,893
Total operating revenues	250,570,794	-	250,570,794	5,895,417	-	5,895,417	256,466,211	-	256,466,211
<b>Operating expenses</b>									
Operating expenses	37,582,215	-	37,582,215	-	-	-	37,582,215	-	37,582,215
Towing contracts	-	-	-	7,579,203	-	-	7,579,203	-	7,579,203
Professional fees	14,033,774	-	14,033,774	1,091,785	-	1,091,785	15,125,559	-	15,125,559
Allocations to other agencies	6,817,635	-	6,817,635	-	-	-	6,817,635	-	6,817,635
Salaries and benefits	1,403,665	-	1,403,665	820,854	-	820,854	2,224,519	-	2,224,519
Repairs and maintenance	-	-	-	971,319	-	971,319	971,319	-	971,319
Communications charges	676	-	676	353,098	-	353,098	353,774	-	353,774
Depreciation and amortization	336,572	-	336,572	286,194	-	286,194	622,766	-	622,766
Other operating expenses	1,014,989	-	1,014,989	686,469	-	686,469	1,701,458	-	1,701,458
Total operating expenses	61,189,526	-	61,189,526	11,788,922	-	11,788,922	72,978,448	-	72,978,448
Operating income / (loss)	189,381,268	-	189,381,268	(5,893,505)	-	(5,893,505)	183,487,763	-	183,487,763
<b>Non-Operating revenues / (expenses)</b>									
Investment income	21,234,931	-	21,234,931	511,612	-	511,612	21,746,543	-	21,746,543
Interest expense	(35,373,668)	-	(35,373,668)	-	-	-	(35,373,668)	-	(35,373,668)
Other non-operating expenses	-	-	-	(80,267)	-	(80,267)	(80,267)	-	(80,267)
Caltrans/other agency operating grants	1,660,121	-	1,660,121	6,457,277	-	6,457,277	8,117,398	-	8,117,398
Distributions to other agencies for their capital purposes	-	-	-	(16,697,422)	-	(16,697,422)	(16,697,422)	-	(16,697,422)
Distributions to Caltrans for their capital purposes	-	-	(320,442,456)	-	-	-	(320,442,456)	-	(320,442,456)
Federal operating grants	-	-	-	92,275	-	92,275	92,275	-	92,275
Total non-operating revenues / (expenses), net	(12,478,616)	(337,139,878)	(349,618,494)	6,980,897	-	6,980,897	(5,497,719)	(337,139,878)	(342,637,597)
Income/(loss) before transfers	176,902,652	(337,139,878)	(160,237,226)	1,087,392	-	1,087,392	177,990,044	(337,139,878)	(159,149,834)
<b>Transfers</b>									
Transfers to Metropolitan Transportation Commission	(26,040,892)	(396,578)	(26,437,470)	(1,033,516)	396,578	(636,938)	(27,074,408)	-	(27,074,408)
	150,861,760	(337,536,456)	(186,674,696)	53,876	396,578	450,454	150,915,636	(337,139,878)	(186,224,242)
<b>Capital distributions / capital contributions</b>									
Capital distributions to Caltrans	(320,442,456)	320,442,456	-	-	-	-	(320,442,456)	320,442,456	-
Capital distributions to other agencies	(16,697,422)	16,697,422	-	-	-	-	(16,697,422)	16,697,422	-
Capital contribution between programs	(396,578)	-	-	396,578	(396,578)	-	-	-	-
Total distributions / contributions	(337,536,456)	337,536,456	-	396,578	(396,578)	-	(337,139,878)	337,139,878	-
<b>Change in net assets</b>									
Total net assets / (deficit) - beginning	(186,674,696)	-	(186,674,696)	450,454	-	450,454	(186,224,242)	-	(186,224,242)
Total net assets / (deficit) - ending	(170,317,550)	-	(170,317,550)	26,804,416	-	26,804,416	(143,513,134)	-	(143,513,134)
Total net assets / (deficit) - ending	\$ (356,992,246)	\$ -	\$ (356,992,246)	\$ 27,254,870	\$ -	\$ 27,254,870	\$ (329,737,376)	\$ -	\$ (329,737,376)



# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2006 and 2005

### Notes to Financial Statements

Statement of Cash Flows - Proprietary Funds, *continued*  
For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds				Service Authority for Freeways and Expressways			
	Bay Area Toll Authority		Bay Area Toll Authority		Service Authority for Freeways and Expressways		Service Authority for Freeways and Expressways	
	As Reported	Adjustments	As Restated	As Reported	Adjustments	As Restated	As Reported	As Restated
<b>Reconciliation of operating income to net cash provided by / (used in) operating activities</b>								
Operating income / (loss)	\$ 189,381,268	-	\$ 189,381,268	\$ (5,893,505)	\$ -	\$ (5,893,505)	\$ 183,487,763	\$ 183,487,763
Adjustments to reconcile operating income to net cash provided by / (used in) operating activities:								
Depreciation and amortization	336,572	-	336,572	286,194	-	286,194	622,766	622,766
Net effect of changes in:								
Tolls due from Caltrans	5,725,888	-	5,725,888	-	-	-	5,725,888	5,725,888
Prepaid expenses and other assets	21,939	-	21,939	(7,763)	-	(7,763)	14,176	14,176
Due to Caltrans	(2,308,451)	-	(2,308,451)	-	-	-	(2,308,451)	(2,308,451)
Unearned revenue	20,909,956	-	20,909,956	-	-	-	20,909,956	20,909,956
Other receivable due from Caltrans	4,399,880	-	4,399,880	(92,275)	-	(92,275)	4,307,605	4,307,605
Accounts payable and accrued expenses	7,389,897	-	7,389,897	(1,313,439)	-	(1,313,439)	6,076,458	6,076,458
<b>Net cash provided by / (used in) operating activities</b>	<b>\$ 225,856,949</b>	<b>\$ -</b>	<b>\$ 225,856,949</b>	<b>\$ (7,020,788)</b>	<b>\$ -</b>	<b>\$ (7,020,788)</b>	<b>\$ 218,836,161</b>	<b>\$ 218,836,161</b>

# Metropolitan Transportation Commission Financial Statements for the years ended June 30, 2006 and 2005 Notes to Financial Statements

## Balance Sheet - Governmental Funds June 30, 2005

	As Reported	Adjustments	As Restated	As Reported	Adjustments	As Restated
	General	General	General	Total Governmental Funds	Total Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents - unrestricted	\$ 17,181,001	\$ -	\$ 17,181,001	\$ 74,458,997	\$ -	\$ 74,458,997
Cash and cash equivalents - restricted	1,055,366	-	1,055,366	1,055,366	-	1,055,366
Investments - unrestricted	180,072	-	180,072	24,033,072	-	24,033,072
Receivables:						
Accounts	32,954	-	32,954	32,954	-	32,954
Interest	1,280	-	1,280	187,498	-	187,498
State funding	1,790,331	-	1,790,331	10,163,074	-	10,163,074
Federal funding	8,718,874	-	8,718,874	9,547,671	-	9,547,671
Indirect cost recovery	789,232	-	789,232	789,232	-	789,232
Prepaid items	504,944	-	504,944	504,944	-	504,944
Total assets	\$ 30,254,054	\$ -	\$ 30,254,054	\$ 120,772,808	\$ -	\$ 120,772,808

## Liabilities and fund balances

<b>Liabilities</b>						
Accounts payable	\$ 7,420,253	\$ -	\$ 7,420,253	\$ 18,196,148	\$ -	\$ 18,196,148
Accrued liabilities	2,844,222	(2,035,441)	808,781	2,844,222	(2,035,441)	808,781
Due to other funds	787,101	-	787,101	1,560,061	-	1,560,061
Total Liabilities	11,051,576	(2,035,441)	9,016,135	22,600,431	(2,035,441)	20,564,990

## Fund balances

Reserved for						
Benefits Reserve	6,302,954	-	6,302,954	6,302,954	-	6,302,954
Seismic Retrofit	3,000,000	-	3,000,000	3,000,000	-	3,000,000
Capital Projects	2,358,864	-	2,358,864	46,297,108	-	46,297,108
Other	3,984,798	-	3,984,798	3,984,798	-	3,984,798
Unreserved, reported in						
General fund	3,555,862	2,035,441	5,591,303	3,555,862	2,035,441	5,591,303
Special revenue funds	-	-	-	35,031,655	-	35,031,655
Total fund balances	19,202,478	2,035,441	21,237,919	98,172,377	2,035,441	100,207,818
Total liabilities and fund balances	\$ 30,254,054	\$ -	\$ 30,254,054			

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	6,050,609	-	6,050,609
Capital leases are not due and payable in the current period and therefore are not reported in the funds	(15,976)	-	(15,976)
Compensated absences are not due and payable in the current period and therefore are not reported in the funds	-	(2,035,441)	(2,035,441)
Other long-term assets are not available for current-period expenditures and, therefore, are deferred in the funds	56,090,000	-	56,090,000
Net assets of governmental activities	\$ 160,297,010	\$ -	\$ 160,297,010



# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2006 and 2005

### Notes to Financial Statements

#### Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds For the Year Ended June 30, 2005

	As Reported	Adjustments	As Restated	As Reported	Adjustments	As Restated
	General			Governmental Funds		
				Total		Total
<b>Revenues</b>						
Sales taxes	\$ 9,561,542	\$ -	\$ 9,561,542	\$ 9,561,542	\$ -	\$ 9,561,542
Grants - Federal	26,769,025	-	26,769,025	32,567,639	-	32,567,639
Grants - State	939,273	-	939,273	47,339,486	-	47,339,486
Project grants from local agencies	3,153,293	-	3,153,293	5,653,293	-	5,653,293
Investment income	781,240	-	781,240	2,790,946	-	2,790,946
Total revenues	41,204,373	-	41,204,373	97,912,906	-	97,912,906
<b>Expenditures</b>						
Current:						
General government	39,015,126	(212,990)	\$ 38,802,136	39,018,431	(212,990)	38,805,441
Allocations to other agencies	9,299,290	-	9,299,290	81,184,603	-	81,184,603
Capital outlay	3,474,484	-	3,474,484	10,539,500	-	10,539,500
Total expenditures	51,788,900	(212,990)	51,575,910	130,742,534	(212,990)	130,529,544
Excess / (deficiency) of revenues over / (under) expenditures	(10,584,527)	212,990	(10,371,537)	(32,829,628)	212,990	(32,616,638)
<b>Other financing sources / uses</b>						
Transfers in	5,355,310	-	5,355,310	29,374,731	-	29,374,731
Transfers out	(10,807)	-	(10,807)	(2,300,323)	-	(2,300,323)
Total other financing sources and uses	5,344,503	-	5,344,503	27,074,408	-	27,074,408
<b>Net change in fund balances</b>	(5,240,024)	212,990	(5,027,034)	(5,755,220)	212,990	(5,542,230)
<b>Fund balances - beginning</b>	24,442,502	1,822,451	26,264,953	103,927,597	1,822,451	105,750,048
<b>Fund balances - ending</b>	\$ 19,202,478	\$ 2,035,441	\$ 21,237,919	\$ 98,172,377	\$ 2,035,441	\$ 100,207,818

# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2006 and 2005

### Notes to Financial Statements

#### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities For the Year Ended June 30, 2005

	As Reported	Adjustments	As Restated
<b>Net changes in fund balances - total government funds (per Statement of Revenues, Expenditures and Changes in Fund Balances)</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>
	\$ (5,755,220)	\$ 212,990	\$ (5,542,230)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeded non capital lease capital outlay in the current period.	3,105,123	-	3,105,123
The loan receivable from another agency is not recorded as a long-term asset in the governmental funds. Additional loan advances forwarded to the agency during the fiscal year are expensed in the governmental funds but are capitalized as a long-term asset in the statement of net assets. These amounts represents fiscal 2005 advance.	8,280,000	-	8,280,000
Principal repayment on capital leases is an expenditure in the governmental funds, however the principle element of the repayment reduces long-term liabilities in the statement of net-assets. This amount is the effect of the differing treatment of capital lease principle repayment.	20,469	-	20,469
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds: Compensated absences	-	(212,990)	(212,990)
<b>Change in net assets of governmental activities (per Statement of Activities)</b>	<b>\$ 5,650,372</b>	<b>\$ -</b>	<b>\$ 5,650,372</b>

# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2006 and 2005**

### **Notes to Financial Statements**

---

#### **3. UNRESTRICTED ASSET DEFICIT**

The unrestricted asset deficit arises from the activities within BATA. The revenue collected from the seven bridges is to fund the Regional Measures 1, 2, and Seismic retrofit programs. BATA is the financing arm for these programs. These bonds, issued by BATA, are Toll Revenue Bonds payable solely from “Pledged Revenues”. All future bridge toll revenues received by BATA are pledged to cover debt service payments. The assets (the bridges) are owned and maintained by Caltrans. This year with passage of AB 144, all the bridge toll revenue is now consolidated by law under BATA. BATA also has increased project management oversight responsibilities for these projects.

#### **4. CASH AND INVESTMENTS**

The MTC invests its available cash under the prudent investor rule. The prudent investor rule states, in essence, that “in investing ... property for the benefit of another, a trustee shall exercise the judgment and care, under the circumstance then prevailing, which people of prudence, discretion, and intelligence exercise in the management of their own affairs ... .” This policy affords the MTC a broad spectrum of investment opportunities as long as the investment is deemed prudent and is authorized under the California Government Code Sections 53600, et seq. Investments may be made within the following approved instrument guidelines:

- Securities of the U.S. Government or its agencies
- Securities of the State of California or its agencies
- Certificates of deposit (or time deposits) placed with commercial banks and savings and loans
- Bankers’ acceptances
- Authorized pooled investment programs
- Commercial paper – Rated “A1 or P1”
- Corporate notes – Rated “A” or better
- Municipal bonds
- Mutual funds – Rated “AAA”
- Asset backed securities
- Other investment types authorized by state law and not prohibited in the MTC investment policy

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2006 and 2005**  
**Notes to Financial Statements**

---

A reconciliation of Cash and Investments as shown on the Statement of Net Assets for all funds at June 30, 2006 and 2005 is as follows:

	<b>2006</b>	<b>2005</b>
Cash	\$ 391,433,547	\$ 257,442,008
Investments	<u>1,650,896,328</u>	<u>580,789,066</u>
Total cash and investments	<u><u>\$2,042,329,875</u></u>	<u><u>\$ 838,231,074</u></u>
Reported as:		
Unrestricted cash and cash equivalents	\$ 721,156,267	\$ 371,327,129
Unrestricted investments	<u>1,088,320,134</u>	<u>256,446,692</u>
Total unrestricted cash and investments	<u>1,809,476,401</u>	<u>627,773,821</u>
Restricted cash and cash equivalents	33,941,874	35,457,253
Restricted investments	<u>198,911,600</u>	<u>175,000,000</u>
Total restricted cash and investments	<u>232,853,474</u>	<u>210,457,253</u>
Total cash and investments	<u><u>\$2,042,329,875</u></u>	<u><u>\$ 838,231,074</u></u>

The composition of cash and investments at June 30, 2006 and 2005 is as follows:

	<b>2006</b>	<b>2005</b>
Cash at banks	\$ 107,616,268	\$ 56,340,509
Money market accounts	228,423,197	167,422,280
County of Alameda	<u>55,394,082</u>	<u>33,679,219</u>
Total cash	<u>391,433,547</u>	<u>257,442,008</u>
Government-sponsored enterprises		
Federal Home Loan Board	489,350,448	251,966,740
Federal Home Loan Mortgage	901,485,830	235,321,430
Federal National Mortgage Association	9,653,100	10,034,400
Tennessee Valley Authority	10,025,500	10,746,900
Federal Farm Credit Board	9,818,800	10,006,300
Commercial paper - Corporate	106,313,022	42,444,184
Certificates of Deposit	123,971,080	20,000,000
Local Agency Investment Fund	<u>278,548</u>	<u>269,112</u>
Total investments	<u>1,650,896,328</u>	<u>580,789,066</u>
Total cash and investments	<u><u>\$ 2,042,329,875</u></u>	<u><u>\$ 838,231,074</u></u>

At June 30, 2006 and 2005, the MTC's carrying amount of cash in checking and money markets accounts was \$391,433,547 and \$257,442,008, respectively. The bank balance was \$380,771,592 and \$260,397,013, respectively, with the difference represented primarily by outstanding checks. Of the bank balances at June 30, 2006 and 2005, \$300,000 and \$300,000 were insured by federal depository insurance or collateralized by securities held by MTC's agent in MTC's name and an amount of \$391,133,547.

The California Government Code requires California banking institutions to collateralize deposits of public funds by pledging government securities as collateral. Such collateralization of public funds is accomplished by pooling. The market value of pledged securities must be in accordance with Title 5, Division 2, Chapter 4, Article 2 of the

# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2006 and 2005

### Notes to Financial Statements

---

Government Code for the State of California. California law also allows financial institutions to collateralize public fund deposits by pledging first trust deed mortgage notes having a value of 150 percent of a governmental unit's total deposits. The MTC may waive collateral requirements for deposits that are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation. Such collateral is not required to be in MTC's name.

MTC holds a position in the investment pool of County of Alameda in the amount of \$55,394,082. These funds in the Alameda County pool are not registered with the Securities and Exchange Commission (SEC). The County of Alameda is restricted by state code in the types of investments it can make. Further, the County Treasurer has a written investment policy approved by the Board of Supervisors and also has an investment committee which performs regulatory oversight for its pool as required by California Government Code Section 27134. The County's investment policy authorizes the County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements, reverse repurchase agreements, and the State Treasurer's investment pool. The fair value in the investment pool of County of Alameda is the same as the fair value of the position in the external investment pool at June 30, 2006. The investment holdings with the County of Alameda account for 3 percent of MTC's investment portfolio. This holding is very liquid and can be liquidated at any time and as such is considered to be cash and cash equivalents.

MTC holds \$278,548 in the Local Agency Investment Fund (LAIF). MTC's investment policy allows investment in LAIF as authorized by Government Code section 16429. LAIF is a program created by statute as an investment alternative for California's local governments and special districts. LAIF investments account for 0.02 percent of MTC's investment portfolio.

MTC's portfolio includes five mutual fund investments. The mutual funds are Cadre Institutional Investors Trust (Cadre), Highmark 100 percent US Treasury Money Market Fund, Columbia Treasury Reserve Fund, Dreyfus Treasury Cash Management Fund, and Blackrock T Fund. The mutual fund investments in MTC's investment portfolio are as follows:

	2006	2005
Highmark	7%	13%
Cadre	1%	7%
Bank of America	1%	n/a
Dreyfus	1%	n/a
Blackrock	1%	n/a

Cadre is owned by Public Financial Management and is rated "AAA" by both Standard & Poor's Corporation and Moody's. The fund invests in debt securities issued or guaranteed by the U.S. government or an agency of the U.S. government and repurchase agreements collateralized by US government securities.

# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2006 and 2005**

### **Notes to Financial Statements**

---

The Highmark 100 percent US Treasury Money Market Fund is part of the overnight sweep fund utilized by Union Bank of California (UBOC) custodial accounts and invests exclusively in short-term US Treasury securities guaranteed by the U.S. government. The fund is not rated due to the nature of its holdings.

The Blackrock T Fund is part of the overnight sweep fund utilized by UBOC trust accounts and invests primarily in money market instruments including U.S. Treasury bills, notes, obligations guaranteed by the U.S. Treasury and repurchase agreements fully collateralized by such obligations. The fund is rated “AAA” by both Standard & Poor’s and Moody’s.

Dreyfus Treasury Cash Management fund is part of the overnight sweep fund utilized by Bank of New York custodial accounts and invests exclusively in securities issued or guaranteed by the U.S. government and repurchase agreements fully collateralized by such obligations. The fund is rated “AAA” by both Standard & Poor’s and Moody’s.

Columbia Treasury Reserve funds are part of the overnight sweep fund utilized by Bank of America checking accounts and invests exclusively in U.S. Treasury obligations and repurchase agreements secured by U.S. Treasury obligations. The fund is rated “AAA” by both Standard & Poor’s and Moody’s.

State law and MTC policy limit mutual fund investment to 20 percent of the portfolio, with no more than 10 percent of the portfolio in any single fund. All the mutual fund holdings are very liquid and can be liquidated at any time and as such are considered to be cash and cash equivalents.

The government-sponsored enterprise (GSE) holdings carry “AAA” ratings. Neither State law nor MTC policy imposes a limit to the amount of GSE within the portfolio.

MTC holds positions in both commercial paper and certificates of deposits as permitted under MTC’s investment policy. Commercial paper must have the highest letter and numerical rating provided by Standard & Poor’s and Moody’s. Eligible commercial paper is further limited to issuing corporations organized and operating in the United States and having total assets of \$500,000,000 and having an “A” or higher rating for issuer’s debt, other than commercial paper. Purchases cannot exceed 180 days maturity, 10 percent of the outstanding paper of a single issuing corporation and 10 percent of the agency’s surplus money. As of June 30, 2006, MTC holds \$106,313,022 (market value) in commercial paper. The commercial paper investments constitute 6 percent of MTC’s total investment holdings.

Negotiable Certificates of Deposit (CDs) must be issued by a nationally chartered or state-chartered bank and cannot exceed 10 percent of surplus agency funds. As of June 30, 2006, MTC holds \$123,971,080 (market value) in negotiable CDs. The negotiable CDs constitute 8 percent of MTC’s total investment holdings.

BATA has a bond covenant to maintain an operations and maintenance reserve of two times the adopted operations and maintenance budget, as well as an extraordinary loss reserve of \$50 million. At June 30, 2006, BATA has restricted \$125 million as the restricted operations and maintenance reserve and \$50 million as the restricted extraordinary loss reserve. These amounts are shown as restricted long-term investments for the year ended June 30, 2006. Another \$23,911,600 is restricted for the debt service reserve fund.



# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2006 and 2005**

### **Notes to Financial Statements**

---

MTC also has \$1,066,701 restricted for costs for the Express Bus purchases funded with the Traffic Relief Program funds. BATA has restricted cash of \$32,638,505 for the FasTrak<sup>®</sup> program funded with patron holders funds for the ETC program. Another \$236,668 is restricted for the debt service reserve fund.

#### **A. Investment Risk Factors**

There are many factors that can affect the value of investments. MTC invests substantially in fixed income securities, which are affected by credit risk, custodial credit risk, concentration of credit risk, and interest rate risk.

##### **i.) Credit Risk**

Fixed income securities are subject to credit risk, which is the possibility that the security issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. The circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments.

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond, and ultimately, to pay the principal. Credit quality is evaluated by at least one nationally recognized independent credit-rating agencies, for example Moody's Investor Services or Standard & Poor's. The lower the rating, the greater the chance (in the opinion of Moody's or Standard & Poor's) that the bond issuer will default, or fail to meet its obligations. The credit risk profile of the various fixed income securities are described above.

##### **ii.) Custodial Credit Risk**

Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be recovered. All securities are held in independent safekeeping accounts maintained with Union Bank of California (UBOC) and Bank of New York (BONY) and held in the name of MTC. All security trades clear through both banks. All checking and sweep accounts are fully insured or collateralized. As a result, custodial credit risk is remote.

##### **iii) Concentration of Credit Risk**

Concentration of credit risk is the risk associated with lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory or credit developments.

# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2006 and 2005

### Notes to Financial Statements

---

Investments in issuers that represent 5 percent or more of total investment at June 30, 2006 and 2005 are as follows:

	2006	2005
Federal Home Loan Board (FHLB)	30%	43%
Federal Home Loan Mortgage (FHLMC)	55%	41%

#### iv) Interest Rate Risk

Interest rate risk is the risk that the market value of fixed-income securities will decline because of rising interest rates. The prices of fixed-income securities with a longer time to maturity, measured by duration in years, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. MTC's policy is to buy and hold investments to maturity.

MTC holds \$43 million in investments tied to floating rate benchmarks. Depending on the structure, the rate on the investment will reset monthly or quarterly and is based on a LIBOR (London Interbank Offering Rate) or a CMT (Constant Maturity Treasuries-2 yr TSY) index.

In addition to the floating rate investments in the portfolio, MTC also holds \$65 million in investments with step-up coupon features. The coupon will step up or increase after a period of time has elapsed.

The floating rate and step-up coupon securities are summarized as follows:

Investment	Par Value	Structure	Final Maturity
FHLMC	\$20 million	<u>first leg:</u> 1 month LIBOR + 6 basis points for the first 1.5 years (to 10/07)	
		<u>second leg:</u> Fixed at 5.2% for the last 1.5 years	4/09
FHLB	\$10 million	Previous coupon reset + 25 basis points initial index – 3 months LIBOR	3/08
FHLMC	\$13 million	CMT + 10 basis points	1/07
FHLB	\$5 million	Fixed first 3 years at 3.125% (to 3/07) Steps to 6% the last 2 years	3/09
FHLB	\$15 million	Fixed at 4% the first year (to 7/06) Steps to 4.5% the second year (to 7/07) Steps to 5% the third year	7/08
FHLB	\$25 million	Fixed at 5% first 6 months (to 9/06) Steps to 5.5% next 6 months (to 3/07)	

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2006 and 2005**  
**Notes to Financial Statements**

---

		Steps to 6% last 6 months	9/07
FHLB	\$20 million	Fixed at 5.25% first 6 months (to 12/06)	
		Steps to 5.5% next 6 months (to 6/07)	
		Steps to 5.75% next 6 months (to 12/07)	
		Steps to 6% last 6 months	6/08

The weighted average maturity of MTC's Government Sponsored Enterprise (GSE) securities (expressed in number of years) at June 30, 2006 and 2005 are as follows:

	<b>2006</b>	<b>2005</b>
Government-sponsored enterprises		
Federal Home Loan Board	0.81	1.79
Federal Home Loan Mortgage	0.85	1.76
Federal National Mortgage Association	6.82	7.82
Tennessee Valley Authority	4.56	5.56
Federal Farm Credit Board	2.31	3.31

Commercial paper and certificates of deposits have maturities of less than 1 year. The weighted average maturity for commercial paper is 141 days and the weighted average maturity for certificates of deposits is 49 days. Interest rate risk is considered to be minimal for these types of securities.

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2006 and 2005**  
**Notes to Financial Statements**

---

**5. CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2006 is as follows:

**Governmental activities**

	<b>Beginning Balance July 1, 2005</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance June 30, 2006</b>
Capital assets, being depreciated:				
Buildings and improvements	\$ 8,104,977	\$ 1,144,589	\$ (1,050,000)	\$ 8,199,566
Office furniture and equipment	2,940,094	94,482	(2,059)	3,032,517
Leased equipment	83,430	168,489	(83,430)	168,489
Automobiles	<u>176,412</u>	<u>30,886</u>	<u>(13,925)</u>	<u>193,373</u>
Total cash assets being depreciated	<u>11,304,913</u>	<u>1,438,446</u>	<u>(1,149,414)</u>	<u>11,593,945</u>
Less accumulated depreciation for:				
Buildings and improvements	2,432,996	417,864	-	2,850,860
Office furniture and equipment	2,575,483	149,246	(1,430)	2,723,299
Leased equipment	69,412	28,047	(72,185)	25,274
Automobiles	<u>176,413</u>	<u>5,148</u>	<u>(13,925)</u>	<u>167,636</u>
Total accumulated depreciation	<u>5,254,304</u>	<u>600,305</u>	<u>(87,540)</u>	<u>5,767,069</u>
Total capital assets, net	<u>\$ 6,050,609</u>	<u>\$ 838,141</u>	<u>\$ (1,061,874)</u>	<u>\$ 5,826,876</u>

**Business-type activities**

	<b>Beginning Balance July 1, 2005</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance June 30, 2006</b>
Capital assets, being depreciated:				
Office furniture and equipment	\$ 2,455,238	\$ -	\$ -	\$ 2,455,238
Building and improvements	2,000,000	1,134,200	-	3,134,200
Call boxes	<u>8,011,526</u>	<u>-</u>	<u>(11,906)</u>	<u>7,999,620</u>
Total cash assets being depreciated	<u>12,466,764</u>	<u>1,134,200</u>	<u>(11,906)</u>	<u>13,589,058</u>
Less accumulated depreciation for:				
Office furniture and equipment	1,017,863	243,761	-	1,261,624
Building and improvements	-	87,272	-	87,272
Call boxes	<u>6,698,589</u>	<u>150,864</u>	<u>(3,377)</u>	<u>6,846,076</u>
Total accumulated depreciation	<u>7,716,452</u>	<u>481,897</u>	<u>(3,377)</u>	<u>8,194,972</u>
Total capital assets, net	<u>\$ 4,750,312</u>	<u>\$ 652,303</u>	<u>\$ (8,529)</u>	<u>\$ 5,394,086</u>

Depreciation expense was charges to functions/programs of the primary government as follows:

Governmental activities:

General government	<u>\$ 600,305</u>
Total depreciation expense - governmental activities	<u>\$ 600,305</u>

Business-type activities:

Toll bridge	\$ 280,617
Congestion relief	201,280
Total depreciation expense - business-type activities	<u>\$ 481,897</u>

# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2006 and 2005

### Notes to Financial Statements

A summary of changes in capital assets for the year ended June 30, 2005 is as follows:

#### Governmental activities

	Beginning Balance July 1, 2004	Additions	Retirements	Ending Balance June 30, 2005
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,718,459	\$ 3,386,518	\$ -	\$ 8,104,977
Office furniture and equipment	2,852,128	87,966	-	2,940,094
Leased equipment	83,430	-	-	83,430
Automobiles	176,412	-	-	176,412
Total cash assets being depreciated	7,830,429	3,474,484	-	11,304,913
Less accumulated depreciation for:				
Buildings and improvements	2,252,140	180,856	-	2,432,996
Office furniture and equipment	2,410,808	164,675	-	2,575,483
Leased equipment	49,330	20,082	-	69,412
Automobiles	172,665	3,748	-	176,413
Total accumulated depreciation	4,884,943	369,361	-	5,254,304
Total capital assets, net	\$ 2,945,486	\$ 3,105,123	\$ -	\$ 6,050,609

#### Business-type activities

	Beginning Balance July 1, 2004	Additions	Retirements	Ending Balance June 30, 2005
Capital assets, being depreciated:				
Office furniture and equipment	\$ 1,067,868	\$ 1,407,992	\$ (20,622)	\$ 2,455,238
Buildings and improvements	-	2,000,000	-	2,000,000
Call boxes	10,482,078	-	(2,470,552)	8,011,526
Total cash assets being depreciated	11,549,946	3,407,992	(2,491,174)	12,466,764
Less accumulated depreciation for:				
Office furniture and equipment	1,008,322	30,163	(20,622)	1,017,863
Call boxes	8,800,696	257,902	(2,360,009)	6,698,589
Total accumulated depreciation	9,809,018	288,065	(2,380,631)	7,716,452
Total capital assets, net	\$ 1,740,928	\$ 3,119,927	\$ (110,543)	\$ 4,750,312

Depreciation expense was charges to functions/programs of the primary government as follows:

#### Governmental activities:

General government	\$ 369,361
Total depreciation expense - governmental activities	\$ 369,361

#### Business-type activities:

Toll bridge	\$ 1,872
Congestion relief	286,193
Total depreciation expense - business-type activities	\$ 288,065

## **Metropolitan Transportation Commission Financial Statements for the years ended June 30, 2006 and 2005 Notes to Financial Statements**

---

### **6. LONG-TERM DEBT**

General Revenue Bonds were issued during May 2001, February 2003 and October 2004 to (i) finance the cost of the design and construction of eligible projects of Regional Measure 1 projects for the Bay Area Bridges, (ii) to finance a Reserve Fund for the Series 2001, 2003, and 2004 General Revenue Bonds, and (iii) pay costs incurred in connection with the issuance of the Series 2001, 2003 and 2004 General Revenue Bonds.

General Revenue Bonds were issued during February 2006 (2006 Series A-E) to (i) finance the costs of the design and construction of eligible Regional Measure 1 projects for the Bay Area Bridges, Regional Measure 2 transportation projects and the Toll Bridge Seismic Retrofit capital program for the Bay Area Bridges, (ii) to finance a Reserve Fund for the 2006 Series A-E General Revenue Bonds, and (iii) pay costs incurred in connection with the issuance of the 2006 Series A-E General Revenue Bonds.

General Revenue Bonds were issued during April 2006 (2006 Series F) to (i) defease the California Infrastructure and Economic Development Bank (Ibank) debt obligations related to the seismic surcharge, (ii) to finance a Reserve Fund for the 2006 Series F General Revenue Bonds, and (iii) pay costs incurred in connection with the issuance of the 2006 Series F General Revenue Bonds.



# Metropolitan Transportation Commission Financial Statements for the years ended June 30, 2006 and 2005 Notes to Financial Statements

A summary of changes in long-term debt for the year ended June 30, 2006 is as follows:

Business-type activities		Issue Date	Interest Rate	Calendar Maturity Year	Original Amount	Beginning Balance July 1, 2005	Additions	Reductions	Ending Balance June 30, 2006	Due Within One Year
2001 Revenue Bond Series A	(1)	5/24/2001	4.09%-4.10%	2036	\$ 150,000,000	\$ 150,000,000	\$ -	\$ -	\$ 150,000,000	\$ -
2001 Revenue Bond Series B	(1)	5/24/2001	4.120%	2029	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series C	(1)	5/24/2001	4.110%	2025	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series D	(2)	5/24/2001	4.830%	2018	100,000,000	100,000,000	-	5,785,000	94,215,000	6,015,000
2003 Revenue Bond Series A	(3)	2/12/2003	4.139%	2038	75,000,000	75,000,000	-	-	75,000,000	-
2003 Revenue Bond Series B	(3)	2/12/2003	4.139%	2038	75,000,000	75,000,000	-	-	75,000,000	-
2003 Revenue Bond Series C	(4)	2/12/2003	2.9%-4.139%	2038	150,000,000	150,000,000	-	-	150,000,000	-
2004 Revenue Bond Series A	(5)	10/5/2004	3.416%	2039	75,000,000	75,000,000	-	-	75,000,000	-
2004 Revenue Bond Series B	(5)	10/5/2004	3.416%	2039	150,000,000	150,000,000	-	-	150,000,000	-
2004 Revenue Bond Series C	(5)	10/5/2004	3.416%	2039	75,000,000	75,000,000	-	-	75,000,000	-
2006 Revenue Bond Series (A-E)	(6)	2/8/2006	3.750%	2045	1,000,000,000	-	1,000,000,000	-	1,000,000,000	-
2006 Revenue Bond Series F	(7)	4/25/2006	4.580%	2031	1,149,205,000	-	1,149,205,000	-	1,149,205,000	23,690,000
Unamortized bond premium						1,077,069	-	83,929	993,140	
Net long-term debt as of June 30, 2006						\$ 1,001,077,067	\$ 2,149,205,000	\$ 5,868,927	\$ 3,144,413,140	

(1) 2001 Series A, B and C bonds are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote.

(2) 2001 Series D bonds are issued as fixed rate bonds with a final maturity of 2018. The bonds carry interest carry interest rates ranging from 4.0% in 2006 to 5.0% in 2018, or a true interest cost of 4.83%.

(3) 2003 Series A and B bonds are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote.

(4) Of the \$150,000,000 2003 Series C revenue bonds, \$50,000,000 are issued as variable rate demand bonds with a floating to fixed interest rate swap transaction in place. The remaining \$100,000,000 are issued as floating rate bonds with a final maturity of 2038. Interest rates in the variable rate demand bond averaged 2.93% as of June 30, 2006.

(5) 2004 Series A, B and C bonds are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote.

(6) 2006 Series A-E bonds are issued as variable rate demand bonds with a total of 4 floating-to-fixed interest rate swap transaction in place. The blended swap rate for this 2006 series is 3.73%.

Refer to interest rate swap description within this footnote.

(7) 2006 Series F bonds are issued as fixed rate bonds with a final maturity of 2031. The bonds carry interest rates ranging from 3.4% in 2007 to 5.0% in 2031, or a true interest cost of 4.58%.

# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2006 and 2005

### Notes to Financial Statements

A summary of changes in long-term debt for the year ended June 30, 2005 is as follows:

Business-type activities											
	Issue Date	Interest Rate	Calendar Maturity Year	Original Amount	Beginning Balance July 1, 2004	Additions	Reductions	Ending Balance June 30, 2005	Due Within One Year		
	5/24/2001	4.09%-4.10%	(1)	\$	150,000,000	\$	-	\$	150,000,000	-	
	5/24/2001	4.12%	(1)		75,000,000		-		75,000,000	-	
	5/24/2001	4.11%	(1)		75,000,000		-		75,000,000	-	
	5/24/2001	4.83%	(2)		100,000,000		-		100,000,000	5,785,000	
	2/12/2003	4.139%	(3)		75,000,000		-		75,000,000	-	
	2/12/2003	4.139%	(3)		75,000,000		-		75,000,000	-	
	2/12/2003	1.82%-4.139%	(4)		150,000,000		-		150,000,000	-	
	10/5/2004	3.416%	(5)		75,000,000	-	75,000,000	-	75,000,000	-	
	10/5/2004	3.416%	(5)		150,000,000	-	150,000,000	-	150,000,000	-	
	10/5/2004	3.416%	(5)		75,000,000	-	75,000,000	-	75,000,000	-	
				\$	1,000,000,000	\$	300,000,000	\$	1,000,000,000	\$	5,785,000
Unamortized bond premium											
Net long-term debt as June 30, 2005											

(1) 2001 Series A, B and C are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote.

(2) 2001 Series D bonds are issued as fixed rate bonds with a final maturity of 2018. The bonds carry interest rates ranging from 3.85% in 2006 to 5.12% in 2018, or a true interest cost of 4.83%.

(3) 2003 Series A and B are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote.

(4) Of the \$150,000,000 2003 Series C Revenue bonds, \$50,000,000 are issued as variable rate demand bonds with a floating to fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote. The remaining \$100,000,000 are issued as floating rate bonds with a final maturity of 2038. Interest rates in the variable rate demand bond averaged 1.82% as of June 30, 2005.

(5) 2004 Series A, B and C are issued as variable rate demand bonds with a floating-to-fixed rate swap transaction in place. Refer to interest rate swap description within this footnote.

# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2006 and 2005

### Notes to Financial Statements

---

#### Annual funding requirements

The annual funding requirements (principal and interest) for the long-term debt outstanding of the business-type activities at June 30, 2006 are as follows:

<b>Business-type activities</b>			
<b>Fiscal Year Ending</b>	<b>Principal Payments</b>	<b>Interest Payments</b>	<b>Total Payments</b>
2007	\$ 29,705,000	\$ 129,159,938	\$ 158,864,938
2008	42,230,000	127,939,390	170,169,390
2009	43,935,000	126,204,202	170,139,202
2010	45,695,000	124,398,957	170,093,957
2011-2020	590,635,000	1,125,064,901	1,715,699,901
2021-2025	415,565,000	458,712,090	874,277,090
2026-2030	525,725,000	364,722,269	890,447,269
2031-2035	550,600,000	252,421,963	803,021,963
2036-2040	480,955,000	141,190,382	622,145,382
2041-2045	418,375,000	52,854,405	471,229,405
	<u>\$ 3,143,420,000</u>	<u>\$ 2,902,668,497</u>	<u>\$ 6,046,088,497</u>

#### Toll Revenue Bonds

The Bay Area Toll Authority Bridge Toll Revenue Bonds are payable solely from “Pledged Revenues.” The Master Indenture, dated as of May 1, 2001 defines Pledged Revenues as all bridge toll revenue as well as revenue and all amounts held by the Trustee in each fund and account established under the indenture except for amounts in the Rebate Fund and amounts on deposit in any fund or account established to hold the proceeds of a drawing on any Liquidity Instrument.

In the fifth supplemental indenture dated February 2006, BATA covenanted to maintain toll revenue at levels that result in net operating revenue greater than 1.2 times annual debt service costs as defined in the master indenture dated May 1, 2001. In addition, BATA has agreed to maintain tolls at a level where net operating revenue plus the balance in the operations and maintenance charges is at least 1.25 times total “fixed charges” as defined in the master indenture.

BATA has also covenanted in the 2001 Indenture that no additional bonds shall be issued, unless the additional bonds are issued for refunding of 2001 Series bond purposes, or Net Revenue equates to greater than 150 percent of the combined maximum annual debt service, including the 2001 bonds and additional bonds.

BATA has covenanted to maintain an operations and maintenance reserve of two times the adopted operations and maintenance budget, as well as an extraordinary loss reserve of \$50 million. At June 30, 2006, BATA had restricted \$125 million as the restricted

# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2006 and 2005**

### **Notes to Financial Statements**

---

operations and maintenance reserve and \$50 million as the restricted extraordinary loss reserve. These amounts are shown as restricted long-term investments for the year ended June 30, 2006.

The bonds issued by BATA are collateralized by a first lien on all revenues and are not an obligation of the MTC primary government or any component unit other than BATA.

#### **Interest Rate and Forward Interest Rate Swap Agreements**

In January 2002, BATA completed a variable fixed rate swap transaction with a notional amount of \$300 million. Counterparties to the transaction are Ambac for \$150 million, Citigroup for \$75 million and Morgan Stanley for \$75 million. During the 35-year term of the swap, BATA will pay each respective counterparty based on a fixed rate ranging from 4.09 percent to 4.12 percent while receiving a variable rate payment equivalent to the actual variable rate payment in years 1 through 4 and a variable rate payment based on 65 percent of the one-month LIBOR index in years 5 through 35 (second leg). The second leg of the swap mode was effective on January 1, 2006. The variable rate bonds associated with this swap were issued as part of BATA's 2001 \$300 million Toll Bridge Revenue Bond issue.

In February 2003, BATA completed a contract with Ambac to swap variable-to-fixed rate bonds with a notional amount of \$200 million. The contract calls for BATA to pay Ambac a fixed rate of 4.139 percent. In exchange, BATA will receive a variable rate payment based on 65 percent of the one-month LIBOR rate for 35 year term of the 2003 financing. The variable rate bonds associated with this swap (\$75 million for Series A, \$75 million for Series B, and \$50 million for Series C) were issued as part of BATA's 2003 \$300 million Toll Bridge Revenue Bond issue.

In October 2004, BATA completed a contract with Ambac to swap variable-to-fixed rate bonds with a notional amount of \$300 million. The contract calls for BATA to pay Ambac a fixed rate of 3.416 percent. In exchange, BATA will receive a variable rate based on 54 percent of the one-month LIBOR rate and 54 basis points for 35 year term of the 2004 financing. The variable rate bonds associated with this swap were issued as part of BATA's 2004 \$300 million Toll Bridge Revenue Bond issue.

On November 15, 2005, BATA approved a forward contract to swap variable-to-fixed rate bonds with a notional amount of \$1 billion. Counterparties to the transactions are Ambac for \$500 million, JP Morgan AAA ISDA for \$245 million, Citibank for \$225 million and Bank of America for \$30 million. During the 39 year-term of the swap, BATA will pay each respective counterparty based on a fixed rate ranging from 3.63 percent to 4.00 percent. In exchange, BATA will receive a variable rate payment based on varying percentages of LIBOR.

BATA will receive from Ambac and Bank of America a variable rate payment based on 68 percent of the one-month LIBOR rate. BATA will receive from Citibank a variable rate payment based on 53.8 percent of the one-month LIBOR rate and 74 basis points. BATA will receive from JP Morgan a variable rate payment based on 67.8 percent of the 10 year LIBOR rate in years 1 through 30 (first leg) and a variable rate payment based on 75.105 percent of the one-month LIBOR in years 31 through 39 (second leg).

# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2006 and 2005**

### **Notes to Financial Statements**

---

The JP Morgan trade was initially executed as a variable payment to BATA based on 75.11 percent of the one-month LIBOR for the life of the financing. The trade was later amended in May 2006 to reflect a two-legged swap trade to capture current market economics.

The variable rate bonds associated with this swap were issued as part of BATA's 2006 \$1 billion Toll Bridge Revenue Bond issuance.

On November 30, 2005, BATA approved another forward contract to swap variable-to-fixed rate bonds with a notional amount of \$1 billion. The effective forward swap date on this contract is November 1, 2007. Counterparties to the transactions are Ambac for \$420 million, JP Morgan for \$270 million, Citibank for \$260 million and Bank of America for \$50 million. During the 40 year term, BATA will pay each respective counterparty based on a fixed rate ranging from 3.63 percent to 4.00 percent. In exchange, BATA will receive a variable rate based on ranging percentages of LIBOR.

BATA will receive from Ambac and Bank of America a variable rate payment based on 68 percent of the one-month LIBOR rate. BATA will receive from Citibank a variable-rate payment based on 53.80 percent of the one-month LIBOR rate and 74 basis points. BATA will receive from JP Morgan a variable-rate payment based on 69.33 percent of the five year LIBOR rate in years 1 through 30 (first leg) and a variable-rate payment based on 75.08 percent of the one-month LIBOR in years 31 through 40 (second leg).

The JP Morgan trade was initially executed as a variable payment to BATA based on 75.08 percent of the one-month LIBOR for the life of the financing. The trade was amended in May 2006 to reflect a two-legged swap trade to capture current market economics.

The variable-rate bonds for this swap transaction are scheduled to be issued prior to November 1, 2007.

BATA entered into these transactions as a means of lowering long-term debt costs while maintaining a hedge against increases in short-term rates. BATA is aware that swap transactions contain certain associated risks not traditionally associated with fixed-rate issues, particularly the risk of counterparty failure. However, BATA has structured the transaction with reasonable safeguards, including downgrade and collateral provisions required of all counterparties, insurance guaranteeing performance on the Ambac components, as well as BATA's unilateral ability to cancel any transaction with 15 days notice.

The swap contracts address credit risk by requiring the counterparties to post collateral if two triggering mechanisms are breached: counterparty credit ratings fall below "A+" or "Aa3" from Standard & Poor's and Moody's respectively; and the swap carries a positive fair value in excess of \$10 million.

As of June 30, 2006, counterparties posted a combined \$52 million in collateral with a third party safekeeping agent. Details in the collateral are included on Schedules 23-26.

# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2006 and 2005

### Notes to Financial Statements

---

As of June 30, 2006, the swap counterparties carried the following ratings:

	<u>Standard &amp; Poor's</u>	<u>Moody's</u>
Ambac	AAA	Aaa
JP Morgan AAA ISDA	AAA	Aaa
Citigroup	AA-	Aa1
Bank of America	AA-	Aa1
Morgan Stanley	A+	Aa3

Cancellation of any or all of the swap transactions is subject to a market value calculation at the time of termination. The market value calculation is used to determine what, if any, termination payment is due from or to the counterparty. At June 30, 2006, the financial and investment advisory firm of Public Financial Management (PFM) established the termination value as of June 30, 2006 as follows:

<u>Notional Value</u>	<u>Counterparty</u>	<u>Fixed Rate</u>	<u>Value due from / (to) counterparty</u>
\$ 75 million	Ambac	4.110%	\$ (3,050,299)
\$ 75 million	Ambac	4.120%	(3,584,902)
\$ 75 million	Morgan Stanley	4.090%	(3,724,304)
\$ 75 million	Citigroup	4.100%	(3,827,646)
\$ 200 million	Ambac	4.139%	(9,508,736)
\$ 300 million	Ambac	3.416%	7,527,954
\$500 million	Ambac	3.647%	18,359,821
\$30 million	Bank of America	3.633%	1,163,048
\$225 million	Citibank	3.638%	6,489,793
\$245 million	JP Morgan Chase	4.000%	7,985,882
* \$420 million	Ambac	3.641%	15,003,244
* \$50 million	Bank of America	3.626%	1,889,536
* \$260 million	Citibank	3.636%	7,177,325
* \$270 million	JP Morgan Chase	4.000%	10,638,454
			<u>\$ 52,539,170</u>

\* One billion series 2007 forward swap will be effective November 1, 2007.

The termination value BATA would receive from terminating all swaps is \$52.5 million on June 30, 2006.

BATA's intent, however, is to maintain the swap transactions for the life of the financing. In accordance with Governmental Accounting Standards Board Statement No. 20, BATA has not adopted Financial Accounting Standards Board Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and has not recorded the termination value due to or from the counterparties. A complete summary of swap values and terms is contained in Schedules 23-26.

# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2006 and 2005

### Notes to Financial Statements

The schedule that follows shows the total interest cost of the swap payments. The total cost is determined by taking the fixed rate payment to the counterparty, netting the variable rate payment received from the counterparty, plus any associated administrative costs associated with the swap and variable rate obligation.

As of June 30, 2006, debt service requirements of the variable rate debt and net swap payments for 2001 Series A, B and C are as follows:

Payment Date	Notional Amortization	Variable Interest**	Interest Rate Swaps, Net***	Interest Remarketing and Liquidity****	Total Payment
4/1/2007	\$ -	\$ 11,398,800	\$ 2,352,333	\$ 900,000	\$ 14,651,133
4/1/2008	-	11,398,800	2,352,333	900,000	14,651,133
4/1/2009	-	11,398,800	2,352,333	900,000	14,651,133
4/1/2010	-	11,398,800	2,352,333	900,000	14,651,133
4/1/2011	-	11,398,800	2,352,333	900,000	14,651,133
4/1/2012-2036	300,000,000	202,891,041	41,869,959	16,019,400	260,780,400
	\$ 300,000,000	\$ 259,885,041	\$ 53,631,624	\$ 20,519,400	\$ 334,036,065

As of June 30, 2006, debt service requirements of the variable rate debt and net swap payments for 2003 Series A, B and C are as follows:

Payment Date	Notional Amortization	Variable Interest**	Interest Rate Swaps, Net***	Remarketing and Liquidity****	Total Payment
4/1/2007	\$ -	\$ 7,599,200	\$ 1,636,222	\$ 600,000	\$ 9,835,422
4/1/2008	3,000,000	7,599,200	1,636,222	600,000	9,835,422
4/1/2009	3,200,000	7,485,212	1,611,679	591,000	9,687,891
4/1/2010	3,300,000	7,363,625	1,585,499	581,400	9,530,524
4/1/2011	3,500,000	7,238,238	1,558,501	571,500	9,368,239
4/1/2012-2038	187,000,000	118,368,939	25,486,612	9,345,900	153,201,451
	\$ 200,000,000	\$ 155,654,414	\$ 33,514,735	\$ 12,289,800	\$ 201,458,949

As of June 30, 2006, debt service requirements of the variable rate debt and net swap payments for 2004 Series A, B and C are as follows:

Payment Date	Notional Amortization	Variable Interest**	Interest Rate Swaps, Net***	Remarketing and Liquidity****	Total Payment
4/1/2007	\$ -	\$ 11,398,800	\$ 349,823	\$ 900,000	\$ 12,648,623
4/1/2008	4,980,000	11,398,800	349,823	900,000	12,648,623
4/1/2009	5,215,000	11,209,580	344,016	885,060	12,438,656
4/1/2010	5,385,000	11,011,431	337,935	869,415	12,218,781
4/1/2011	5,590,000	10,806,822	331,655	853,260	11,991,737
4/1/2012-2038	278,830,000	178,632,305	5,482,126	14,104,035	198,218,466
	\$ 300,000,000	\$ 234,457,738	\$ 7,195,378	\$ 18,511,770	\$ 260,164,886



# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2006 and 2005

### Notes to Financial Statements

As of June 30, 2006, debt service requirements of the variable rate debt and net swap payments for 2006 Series A-E are as follows:

Payment Date	Notional Amortization	Variable Interest**	Interest Rate Swaps, Net***	Remarketing and Liquidity****	Total Payment
4/1/2007	\$ -	\$ 37,996,000	\$ 1,680,000	\$ 3,000,000	\$ 42,676,000
4/1/2008	-	37,996,000	1,680,000	3,000,000	42,676,000
4/1/2009	-	37,996,000	1,680,000	3,000,000	42,676,000
4/1/2010	-	37,996,000	1,680,000	3,000,000	42,676,000
4/1/2011	-	37,996,000	1,680,000	3,000,000	42,676,000
4/1/2012-2045	1,000,000,000	1,067,812,227	47,213,510	84,309,840	1,199,335,577
	\$ 1,000,000,000	\$ 1,257,792,227	\$ 55,613,510	\$ 99,309,840	\$ 1,412,715,577

	Series 2001 Bonds*	Series 2003 Bonds	Series 2004 Bonds	Series 2006 Bonds	
Interest Rate Swap					
Fixed payment to CP	4.105%	4.139%	3.416%	3.730%	***
LIBOR percentage of payments	-3.321%	-3.321%	-3.299%	-3.562%	
Net interest rate swap payments***	0.784%	0.818%	0.117%	0.168%	
Variable rate bond coupon payments**	3.800%	3.800%	3.800%	3.800%	
Synthetic interest rate on bonds	4.584%	4.618%	3.917%	3.968%	
Remarketing/liquidity fee****	0.300%	0.300%	0.300%	0.300%	
Total Cost	4.884%	4.918%	4.217%	4.268%	

\* Converted to 65% one month LIBOR on 1/1/06

\*\* The blended variable rate as of June 30, 2006

\*\*\* Blended varied LIBOR percentages with each series as of June 30, 2006

For further swap details, refer to Schedules 23-26, Schedule of Interest Rate Swap – BATA Proprietary Fund.

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2006 and 2005**  
**Notes to Financial Statements**

---

**7. LEASES**

**Capital Leases**

The MTC leases copier equipment under capital leases expiring in MTC's fiscal year end 2011. The assets and liabilities under this capital lease are recorded at the present value of the minimum lease payments. Minimum future lease payments under the capital lease are comprised of the following:

<b>Governmental Activities</b>	
<u>Year Ending June 30</u>	<u>Amount</u>
2007	\$ 42,735
2008	42,735
2009	42,736
2010	42,736
2011	10,684
Total	181,626
Less interest amounts	(33,191)
Present value of net minimum lease payments	<u>\$ 148,435</u>

**8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund transfers as of June 30, 2006 is as follows:

<b>Transfer from:</b>	<b>Transfer to:</b>				
	AB 664 Net		Other		Total
	General	Toll Revenue Reserve	Capital Projects	Governmental Funds	
Exchange	\$ -	\$ -	\$ 503,516	\$ -	\$ 503,516
STA	2,004,858	-	1,233,564	-	3,238,422
BATA	8,779,507	11,636,478	18,464	10,336,611	30,771,060
SAFE	1,466,670	-	-	-	1,466,670
Total	<u>\$ 12,251,035</u>	<u>\$ 11,636,478</u>	<u>\$ 1,755,544</u>	<u>\$ 10,336,611</u>	<u>\$ 35,979,668</u>

**Due to/from other funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	BATA	\$ 290,905
General	STA	\$ 148,627
Capital Projects	Exchange	\$ 106,308
SAFE	General	\$ 1,510,276

# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2006 and 2005

### Notes to Financial Statements

The composition of interfund transfers as of June 30, 2005 is as follows:

Transfer from:	Transfer to:				
	General	AB 664 Net Toll Revenue Reserve	Capital Projects	Other Governmental Funds	Total
Exchange	\$ -	\$ -	\$ 1,262,556	\$ -	\$ 1,262,556
STA	1,033,921	-	3,846	-	1,037,767
BATA	3,287,873	11,913,310	-	10,839,709	26,040,892
SAFE	1,033,516	-	-	-	1,033,516
Total	\$ 5,355,310	\$ 11,913,310	\$ 1,266,402	\$ 10,839,709	\$ 29,374,731

#### Due to/from other funds

Receivable Fund	Payable Fund	Amount
General	BATA	\$ 390,850
General	STA	\$ 52,807
Capital Projects	Exchange	\$ 188,708
SAFE	General	\$ 1,950,911

Transfers are used to move revenues from the fund with collection authority to the program fund that accounts for the various grant programs based on both budgetary and matching fund requirements.

Outstanding receivables and payables between funds are due to timing differences resulting from when expenditures are incurred and reimbursement payments are made.

## 9. EMPLOYEES' RETIREMENT PLAN AND POSTRETIREMENT BENEFITS

### Plan Description

MTC's defined benefit pension plan, the Miscellaneous Plan of Metropolitan Transportation Commission ("the Plan"), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by state statutes within the Public Employees' Retirement Law. The MTC selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual

# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2006 and 2005

### Notes to Financial Statements

---

financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

#### Funding Policy

Members in the Plan are required to contribute 7 percent of their annual covered salary, which is established by California state statute. However, due to a collective bargaining agreement, MTC has a legal obligation to contribute this 7 percent on behalf of the covered employees. Therefore, employees have no obligation to contribute to the Plan. MTC is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its employees. The actuarial methods and assumptions are those adopted and amended by the CalPERS Board of Administration.

#### Annual Pension Cost

For the year ended June 30, 2004, because of previously determined actuarial surplus, MTC was not required to make actual cash transfers to PERS. The employer amounts due were deducted from the surplus. The required contribution for the year ended June 30, 2006 was \$2,324,948 determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses) and (b) projected salary increases that vary by duration of service. Both (a) and (b) include an inflation component of 3.0 percent. The actuarial value of the Plan's asset was determined using a technique that smoothes the effect of short-term volatility in market value of investments over a three-year period depending on the size of investment gains and/or losses.

The following table shows the MTC's required contributions and the percentage contributed for the current year and each of the two preceding years:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
6/30/2004	-	100%
6/30/2005	\$ 1,190,870	100%
6/30/2006	\$ 2,324,948	100%

The MTC's funding progress information as of June 30, 2004 is illustrated as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Excess of Assets over AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Excess as a Percentage of Covered Payroll</u>
June 30, 2002	\$ 43,102,147	\$ 36,565,796	\$ 6,536,351	117.9%	\$ 10,346,350	63.2%
June 30, 2003	43,680,162	44,901,919	(1,221,757)	97.3%	11,177,301	10.9%
June 30, 2004	45,753,197	48,662,374	(2,909,177)	94.0%	11,714,647	24.8%

The latest available actuarial valuation was as of June 30, 2004 showing an underfunded status.

# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2006 and 2005**

### **Notes to Financial Statements**

---

#### **10. COMMITMENTS AND CONTINGENCIES**

MTC's administered projects are subject to audit by the respective grantors. The final determination of allowable project costs can be made only after the grantor's audits are completed and final rulings by the grantor's administrative departments are obtained. Disallowed expenditures, if any, must be borne by nonfederal funds. In the opinion of MTC's management, such disallowances, if any, would not have a material adverse effect on the accompanying government-wide financial statements.

MTC is involved in various claims and litigation that is considered normal to the MTC's regional planning activities. MTC has established a \$1.4 million reserve for such contingencies. In the opinion of the MTC's management, the ultimate resolution of these matters will not have a material adverse effect on the MTC's government-wide financial position.

#### **Commitment and Loan to Bay Area Rapid Transit District**

On March 11, 1999, MTC, the San Mateo County Transit District (Samtrans) and the Bay Area Rapid Transit District (BART) (collectively the Parties) entered into a Memorandum of Understanding (MOU) defining the terms and conditions by which additional funds would be made available for the SFO Extension Project (the Project). On September 1, 1999, the Parties agreed to provide a total of \$198.5 million to the Project, with BART providing \$50 million, Samtrans providing \$72 million, and MTC providing \$76.5 million.

The MTC's commitment included a \$60 million loan (the Loan) for the Project's cash flow requirements and \$16.5 million for additional budget items. In addition, MTC agreed to pay for interest and financing costs not to exceed \$11.8 million, for a total commitment of \$88.3 million.

To fund the Loan, MTC agreed to advance \$60 million from the East Bay Rail Extension Reserve Account (the East Bay Account) for Project cash flows. Under the MOU, BART was to repay this advance without interest, upon authorization and receipt of federal funds anticipated pursuant to BART's full funding grant agreement with the U.S. Department of Transportation (the FTA grant). MTC further agreed to allocate \$16.5 million to BART from the West Bay Rail Extension Reserve Account (the West Bay Account) for budget items, and utilize a combination of bridge toll revenues and other sources to pay interest and financing costs up to \$11.8 million.

On September 1, 1999, the San Francisco Bay Area Transit Financing Authority (the Authority), a joint powers agency, created pursuant to a joint exercise of powers agreement between BART and MTC, issued \$65,650,000 in Bridge Toll Notes (the Notes). The Notes are limited obligations of the Authority, payable from and collateralized solely by a pledge of bridge toll revenues, from the East Bay Account, allocated to BART by MTC. The Notes are insured by ACA Capital and are to be paid in semi-annual installments until February 1, 2007 at interest rates ranging from 4.25 percent to 5.75 percent. Financial statements of the Authority can be obtained from BART, 300 Lakeside Drive, Oakland, California 94604.

# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2006 and 2005

### Notes to Financial Statements

---

On February 12, 2001, MTC and BART executed an Acknowledgement Agreement (the Agreement) which modified the repayment terms of the Loan. Under the Agreement, MTC acknowledged that the FTA grant proceeds, originally pledged to repay the Loan, will be pledged and assigned in favor of bonds (the Bonds) issued by the Association of Bay Area Governments to refinance the Notes and finance the Project. The Agreement confirms BART's obligation to repay the Loan, as set forth in the MOU; however, such repayment will be made from the general resources of BART and subject to the prior pledge in favor of the Bonds.

On June 28, 2006, MTC and BART revised the terms of the \$60 million loan agreement. The new agreement extends the \$60 million loan to June 30, 2015 with a payment of \$3 million due on June 30, 2006 and BART paid an additional \$10 million in July 2006.

The following schedule provides a summary of MTC's remaining bridge toll allocation commitment to BART:

#### Governmental Activities

	Regional Measure 1 <u>East Bay</u>	Regional Measure 1 <u>West Bay</u>	<u>Total</u>
<u>Year Ending June 30</u>			
2007	\$ 301,000	\$ 3,000,000	\$ 3,301,000
Total	<u>\$ 301,000</u>	<u>\$ 3,000,000</u>	<u>\$ 3,301,000</u>

For the year ended June 30, 2006, MTC paid \$10 million to BART, increasing the total loan made to BART to \$57 million.

## 11. RISK MANAGEMENT

MTC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. MTC purchases commercial insurance through an insurance agent, who obtains the appropriate insurance coverage needed by the MTC from insurance companies. To date, there have been no significant reductions in any of the MTC's insurance coverage, and no settlement amounts have exceeded commercial insurance coverage for the past three years.

## 12. EXTRAORDINARY ITEM – AB 144 IMPACT OF CONSOLIDATION OF BRIDGE TOLL REVENUE

On July 16, 2005, the California State Legislature approved Assembly Bill (AB) 144, which transferred toll administration responsibility from Caltrans to BATA. This transfer of responsibility includes:

- Consolidation of all toll revenue dollars, including the state seismic toll dollar for the seven bridges, under BATA administration.

# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2006 and 2005**

### **Notes to Financial Statements**

---

- Creation of a new Caltrans, California Transportation Commission, and BATA Toll Bridge Project Oversight Board.
- Unlimited project-level toll-setting authority to complete the Seismic Retrofit Program and BATA's responsibilities under the "Act."

Caltrans had bonds outstanding issued by the California Infrastructure and Economic Development Bank (Ibank) which were backed by the revenue from the seismic toll dollar. The seismic toll dollar was set aside for completion of projects under the Seismic Retrofit Programs. Before the state owned seismic toll dollar could be transferred over to BATA, these bonds had to be defeased. BATA issued bonds in April 2006 to handle this. Most of the bond proceeds were paid to Deutsche Bank National Trust Company to act as escrow agent for the defeasance of the Ibank bonds. These proceeds will be invested and will be used to pay the principal and interest of the Ibank bonds as they become due. With the payment of \$1,119,562,683 to the escrow agent, BATA now owns all the bridge toll revenue from all the State owned Bay Area bridges.

In addition, BATA approved a financing plan of \$6.2 billion in September 2005 to fund the new seismic retrofit and other bridge toll projects.



## **OTHER REQUIRED SUPPLEMENTARY INFORMATION**

**Metropolitan Transportation Commission**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances – Budget and Actual – General Fund**  
**For the Year Ended June 30, 2006**

**Schedule I**

	Budgeted Amounts							
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)				
<b>Revenues</b>								
Sales taxes for planning activities	\$	9,400,000	\$	10,040,904	\$	40,904		
Grants - Federal		18,434,461		37,119,618		(2,998,406)		
Grants - State		604,000		1,836,658		(1,430,055)		
Project grants from state and local agencies		11,278,850		13,410,727		(9,894,303)		
Investment income		400,000		400,000		356,282		
Other		1,786,924		2,286,063		(2,282,386)		
Total revenues		41,904,235		65,053,066		(16,207,964)		
<b>Expenditures</b>								
Current:								
General government		49,262,007		72,371,967		22,481,678		
Allocations to other agencies		811,479		6,882,968		(1,150,531)		
Capital outlay		-		-		(238,823)		
Total expenditures		50,073,486		79,254,935		21,092,324		
Deficiency of revenues under expenditures		(8,169,251)		(14,201,869)		4,884,360		
<b>Other financing sources</b>								
Transfers in		8,169,251		11,962,827		134,709		
<b>Net change in fund balances</b>		-		(2,239,042)		5,019,069		
<b>Fund balances - beginning</b>		19,202,478		19,202,478		2,035,441		
<b>Fund balances - ending</b>		19,202,478	\$	16,963,436	\$	24,017,946	\$	7,054,510

**Metropolitan Transportation Commission**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances – Budget and Actual – AB 664 Net Toll Revenue Reserves Fund**  
**For the Year Ended June 30, 2006**

**Schedule II**

	<u>Budgeted Amounts</u>		<u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>				
<b>Revenues</b>					
Investment income	\$ -	\$ -	\$ -	\$ 1,867,630	\$ 1,867,630
Total Revenues	-	-	-	1,867,630	1,867,630
<b>Expenditures</b>					
Current:					
General government	-	-	-	4,748	(4,748)
Allocations to other agencies	11,995,717	44,078,511	44,078,511	13,237,524	30,840,987
Total expenditures	11,995,717	44,078,511	44,078,511	13,242,272	30,836,239
Deficiency of revenues under expenditures	(11,995,717)	(44,078,511)	(44,078,511)	(11,374,642)	32,703,869
<b>Other financing sources</b>					
Transfers in	11,995,717	11,995,717	11,995,717	11,636,478	(359,239)
<b>Net change in fund balances</b>					
	-	(32,082,794)	(32,082,794)	261,836	32,344,630
<b>Fund balances - beginning</b>	33,913,109	33,913,109	33,913,109	33,913,109	-
<b>Fund balances - ending</b>	\$ 33,913,109	\$ 1,830,315	\$ 1,830,315	\$ 34,174,945	\$ 32,344,630

**Metropolitan Transportation Commission**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances – Budget and Actual – State Transit Assistance Fund**  
**For the Year Ended June 30, 2006**

**Schedule III**

	<u>Budgeted Amounts</u>		<u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>				
<b>Revenues</b>					
Project grants from state and local agencies	\$ 64,663,464	\$	67,925,020	\$ 70,721,804	\$ 2,796,784
Investment income	5,152,995		5,152,995	534,650	(4,618,345)
Total revenues	69,816,459		73,078,015	71,256,454	(1,821,561)
<b>Expenditures</b>					
Current:					
Allocations to other agencies	69,816,459		73,078,015	59,482,306	13,595,709
Total expenditures	69,816,459		73,078,015	59,482,306	13,595,709
Excess (deficiency) of revenues over (under) expenditures	-		-	11,774,148	11,774,148
<b>Other financing sources / (uses)</b>					
Transfers (out) / in	-		-	(3,200,757)	(3,200,757)
<b>Net change in fund balances</b>	-		-	8,573,391	8,573,391
<b>Fund balances - beginning</b>	28,123,866		28,123,866	28,123,866	-
<b>Fund balances - ending</b>	\$ 28,123,866	\$	28,123,866	\$ 36,697,257	\$ 8,573,391

## **OTHER SUPPLEMENTARY INFORMATION**

**Metropolitan Transportation Commission**  
**Combining Balance Sheet – Other Governmental Funds**  
**For the Year Ended June 30, 2006**

**Schedule 1**

	<u>Transit Reserves</u>	<u>Rail Reserves</u>	<u>Exchange</u>	<u>Feeder Bus</u>	<u>Total Other Funds</u>
<b>Assets</b>					
Cash and cash equivalents - unrestricted	\$ 462,049	\$ 8,021,740	\$ 10,609,493	\$ 44,608	\$ 19,137,890
Interest receivable	-	1,323	-	-	\$ 1,323
Total assets	\$ 462,049	\$ 8,023,063	\$ 10,609,493	\$ 44,608	\$ 19,139,213
<b>Liabilities and fund balances</b>					
Liabilities					
Accounts payable	\$ 192	\$ -	\$ 77,732	\$ -	\$ 77,924
Accrued liabilities	-	43	-	-	43
Due to other funds	20,732	534,388	106,308	-	661,428
Total liabilities	20,924	534,431	184,040	-	739,395
Fund balances					
Reserved for					
Encumbrances	414,693	1,045,970	8,039,688	121	9,500,472
Unreserved, reported in					
Special revenue funds	26,432	6,442,662	2,385,765	44,487	8,899,346
Total fund balances	441,125	7,488,632	10,425,453	44,608	18,399,818
<b>Total liabilities and fund balances</b>	\$ 462,049	\$ 8,023,063	\$ 10,609,493	\$ 44,608	\$ 19,139,213

**Metropolitan Transportation Commission**  
**Combining Statement of Revenues, Expenses and Changes in Fund Balances –**  
**Other Governmental Funds**  
**For the Year Ended June 30, 2006** **Schedule 2**

	<u>Transit Reserves</u>	<u>Rail Reserves</u>	<u>Exchange</u>	<u>Feeder Bus</u>	<u>Total Other Funds</u>
<b>Revenues</b>					
Grants - State	\$ 2,906,778	\$ -	\$ -	\$ -	\$ 2,906,778
Project grants from local agencies	-	3,000,000	-	-	3,000,000
Investment income	50,507	415,371	370,512	1,503	837,893
Total revenues	2,957,285	3,415,371	370,512	1,503	6,744,671
<b>Expenditures</b>					
Current:					
General government	-	584	-	-	584
Allocations to other agencies	4,280,148	10,171,040	560,160	-	15,011,348
Total expenditures	4,280,148	10,171,624	560,160	-	15,011,932
Excess / (deficiency) of revenues over / (under) expenditures	(1,322,863)	(6,756,253)	(189,648)	1,503	(8,267,261)
<b>Other financing sources / uses</b>					
Transfers in	923,667	9,412,944	-	-	10,336,611
Transfers out	-	-	(503,516)	-	(503,516)
Total other financing sources and uses	923,667	9,412,944	(503,516)	-	9,833,095
<b>Net change in fund balances</b>	(399,196)	2,656,691	(693,164)	1,503	1,565,834
<b>Fund balances - beginning</b>	840,321	4,831,941	11,118,617	43,105	16,833,984
<b>Fund balances - ending</b>	\$ 441,125	\$ 7,488,632	\$ 10,425,453	\$ 44,608	\$ 18,399,818



**Metropolitan Transportation Commission**  
**Schedule of Revenues, Expenses and Changes in Fund Balances –**  
**Budget and Actual – Transit Reserves Fund**  
**For the Year Ended June 30, 2006**

**Schedule 3**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget Positive (Negative)
<b>Revenues</b>				
Project grants from state and local agencies	\$ 2,906,778	\$ 2,906,778	\$ 2,906,779	\$ 1
Investment income			50,506	50,506
Total revenues	2,906,778	2,906,778	2,957,285	50,507
<b>Expenditures</b>				
Current:				
Allocations to other agencies	3,851,177	4,449,995	4,280,148	169,847
Deficiency of revenues under expenditures	(944,399)	(1,543,217)	(1,322,863)	220,354
<b>Other financing sources</b>				
Transfers in	944,399	944,399	923,667	(20,732)
<b>Net change in fund balances</b>	-	(598,818)	(399,196)	199,622
<b>Fund balances - beginning</b>	840,321	840,321	840,321	-
<b>Fund balances - ending</b>	\$ 840,321	\$ 241,503	\$ 441,125	\$ 199,622

**Metropolitan Transportation Commission**  
**Schedule of Revenues, Expenses and Changes in Fund Balances –**  
**Budget and Actual – Rail Reserves Fund**  
**For the Year Ended June 30, 2006**

**Schedule 4**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget Positive (Negative)
<b>Revenues</b>				
Revenue from local agency	\$ -	\$ -	\$ 3,000,000	\$ 3,000,000
Investment income	-	-	415,371	415,371
Total revenues	-	-	3,415,371	3,415,371
<b>Expenditures</b>				
Current:				
General Government	-	-	584	(584)
Allocations to other agencies	9,947,332	11,164,342	10,171,040	993,302
Total expenditures	9,947,332	11,164,342	10,171,624	992,718
Deficiency of revenues under expenditures	(9,947,332)	(11,164,342)	(6,756,253)	4,408,089
<b>Other financing sources</b>				
Transfers in	9,947,332	9,947,332	9,412,944	(534,388)
<b>Net change in fund balances</b>	-	(1,217,010)	2,656,691	3,873,701
<b>Fund balances - beginning</b>	4,831,941	4,831,941	4,831,941	-
<b>Fund balances - ending</b>	\$ 4,831,941	\$ 3,614,931	\$ 7,488,632	\$ 3,873,701

**Metropolitan Transportation Commission**  
**Schedule of Revenues, Expenses and Changes in Fund Balances –**  
**Budget and Actual– Exchange Fund**  
**For the Year Ended June 30, 2006**

**Schedule 5**

	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ -	\$ -	\$ 370,512	\$ 370,512
Total revenues	-	-	370,512	370,512
<b>Expenditures</b>				
Current:				
Professional Fees			-	
Allocations to other agencies	-	6,679,000	560,160	6,118,840
Total expenditures	-	6,679,000	560,160	6,118,840
Excess / (deficiency) of revenues over / (under) expenditures	-	(6,679,000)	(189,648)	(5,748,328)
<b>Other financing sources / (uses)</b>				
Transfers (out) / in	-	-	(503,516)	(503,516)
<b>Net change in fund balances</b>	-	(6,679,000)	(693,164)	(6,251,844)
<b>Fund balances - beginning</b>	11,118,617	11,118,617	11,118,617	-
<b>Fund balances - ending</b>	\$ 11,118,617	\$ 4,439,617	\$ 10,425,453	\$ (6,251,844)

**Metropolitan Transportation Commission**  
**Schedule of Revenues, Expenses and Changes in Fund Balances –**  
**Budget and Actual – Feeder Bus Fund**  
**For the Year Ended June 30, 2006**

**Schedule 6**

	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment income	\$ -	\$ -	\$ 1,503	1,503
Total revenues	-	-	1,503	1,503
Excess (deficiency) of revenues over (under) expenditures	-	-	1,503	1,503
<b>Net change in fund balances</b>	-	-	1,503	1,503
<b>Fund balances - beginning</b>	43,105	43,105	43,105	-
<b>Fund balances - ending</b>	\$ 43,105	\$ 43,105	\$ 44,608	\$ 1,503

**Metropolitan Transportation Commission**  
**Schedule of Expenditures – Governmental General Fund**  
**For the Year Ended June 30, 2006**

**Schedule 7**

Expenditures by natural classification:

Salaries & benefits	\$ 14,718,693
Travel	285,096
Professional fees	31,073,126
Overhead	1,117,600
Printing & reproduction	214,434
Other	<u>2,481,340</u>

Reported as general government expenditures  
in the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds

\$ 49,890,289

Salaries & benefits - MTC  
Salaries & benefits - SAFE  
Salaries & benefits - BATA  
Total salaries & benefits

\$ 14,952,633  
801,833  
2,411,760  
\$ 18,166,226

**Metropolitan Transportation Commission**  
**Schedule of Overhead, Salaries and Benefits Expenditures – Governmental**  
**General Fund**  
**For the Year Ended June 30, 2006**

**Schedule 8**

	Direct Costs	Indirect Costs	Total
Salaries	\$ 9,188,064	\$ 2,171,841	\$ 11,359,905
Benefits	5,679,688	1,126,633	6,806,321
<b>TOTAL SALARIES AND BENEFITS</b>	<b>\$ 14,867,752</b>	<b>* \$ 3,298,474</b>	<b>\$ 18,166,226</b>
Reimbursable overhead:			
Travel		\$ 22,627	\$ 22,627
Transit tickets		10,263	10,263
Training		53,173	53,173
Personnel recruitment		79,466	79,466
Public hearings		30,007	30,007
Advertising		12,807	12,807
Communications		42,517	42,517
Utilities		72,301	72,301
Office rent		22,170	22,170
Meeting room rental		9,525	9,525
Equipment rental		34,604	34,604
Parking rental		17,236	17,236
Storage rental		16,666	16,666
Computer maintenance & repair		324,961	324,961
Auto expense		12,202	12,202
Equipment maintenance & repair		1,729	1,729
General maintenance		15,741	15,741
Janitorial service		104,406	104,406
Office supplies		116,970	116,970
Printing & graphics supplies		72,005	72,005
Computer supplies		49,184	49,184
Computer software		6,857	6,857
Computer hardware		47,406	47,406
Furniture & fixtures		24,703	24,703
Postage & mailing		121,157	121,157
Memberships		68,356	68,356
Library acquisitions & subscriptions		34,257	34,257
Law library		20,574	20,574
Computer time & services		25,367	25,367
Advisory member stipend		29,150	29,150
County auditor fees		14,520	14,520
Newswire service		13,345	13,345
Insurance		75,265	75,265
Pass-through contributions		2,700	2,700
Miscellaneous		203	203
Subtotal		1,604,420	1,604,420
Under absorbed for year ended June 30, 2006		(663,424)	(663,424)
Carryforward provision for year ended June 30, 2005		176,604	176,604
Total indirect costs excluding depreciation expense		1,117,600	1,117,600
Depreciation expense		600,305	600,305
Total indirect costs		\$ 1,717,905	\$ 1,717,905

\*This includes SAFE and BATA.

**Metropolitan Transportation Commission**  
**Schedule of Expenditures – Federal Highway Administration Grant**  
**No. 06OWPMTCM**  
**For the Year Ended June 30, 2006**

**Schedule 9**

	ABAG	MTC	Total
<b>Authorized Expenditures</b>			
Federal	\$ 1,037,996	\$ 6,315,819	\$ 7,353,815
Local Match	134,483	818,281	952,764
Total authorized expenditures	1,172,479	7,134,100	8,306,579
<b>Actual Expenditures *</b>			
Association of Bay Area Governments (ABAG)	1,037,977	-	1,037,977
MTC			
<i>Program No. Program Name</i>			
1111 Support the Commission	-	173,592	173,592
1112 Implement Public Information Program	-	756,407	756,407
1113 Support Partnership Board	-	55,000	55,000
1114 Support Advisory Committees	-	25,000	25,000
1121 Develop and Produce the RTP	-	225,000	225,000
1122 Travel Models and Data	-	680,000	680,000
1123 Corridor Studies	-	45,000	45,000
1154 Graphics	-	175,000	175,000
1156 Library Services	-	175,000	175,000
1161 Computer Services	-	943,081	943,081
1211 MTS Management Strategies	-	23,563	23,563
1212 Develop MTS Performance Measures	-	136,911	136,911
1213 Freeway Management Program	-	141,700	141,700
1221 Implement TransLink	-	152,898	152,898
1223 Regional Marketing Program	-	223,000	223,000
1225 Transit Trip Planning	-	295,000	295,000
1227 Coordination Projects	-	77,334	77,334
1229 Regional Emergency Response Plan	-	173,827	173,827
1233 Improve Pavement Management Program (PMP)	-	269,876	269,876
1234 Arterial Operations Coordination	-	108,797	108,797
1311 Develop and Implement Welfare to Work Program	-	100,000	100,000
1511 Financial Analysis and Planning	-	201,429	201,429
1512 Federal Programming, Monitoring and TIP Development	-	713,273	713,273
1514 Allocate Funds/Admin Assistance Program	-	99,963	99,963
1515 State Programming and Project Monitoring	-	199,347	199,347
1612 MTC ABAG Planning	-	140,000	140,000
Total Expenditures	1,037,977	6,309,998	7,347,975
Balance of Federal Highway Administration Grant	\$ 19	\$ 5,821	\$ 5,840

\* Expenditures reported at federal reimbursement rate (88.53%)

**Metropolitan Transportation Commission**  
**Combining Statement of Revenues, Expenses and Changes in**  
**Fund Net Assets – SAFE Proprietary Fund – By Program**  
**For the Year Ended June 30, 2006**

**Schedule 10**

	Call Box Program	Freeway Service Patrol Program	Capital Projects	Total
<b>Operating revenues</b>				
Department of Motor Vehicles registration fees	\$ 5,924,293	\$ -	\$ -	\$ 5,924,293
Total operating revenues	5,924,293	-	-	5,924,293
<b>Operating expenses</b>				
Towing contracts	-	8,179,464	-	8,179,464
Professional fees	538,076	224,766	572,539	1,335,381
Salaries and benefits	381,052	420,780	-	801,832
Repairs and maintenance	791,573	63,786	-	855,359
Communications charges	268,048	67,909	-	335,957
Depreciation and amortization	193,448	7,832	-	201,280
Other operating expenses	212,107	226,566	-	438,673
Total operating expenses	2,384,304	9,191,103	572,539	12,147,946
Operating income / (loss)	3,539,989	(9,191,103)	(572,539)	(6,223,653)
<b>Non-operating revenues / (expenses)</b>				
Investment income	797,834	-	-	797,834
Caltrans / other agency operating grants	7,502	5,443,355	-	5,450,857
Federal operating grants	-	377,456	181,155	558,611
Capital distributions to other agencies	-	-	(253,500)	(253,500)
Transfers between programs	(4,077,808)	3,432,924	644,884	-
Total non-operating revenues, net	(3,272,472)	9,253,735	572,539	6,553,802
Income / (loss) before operating and capital transfers	267,517	62,632	-	330,149
Transfers to Metropolitan Transportation Commission	(1,404,038)	(62,632)	-	(1,466,670)
<b>Change in net assets</b>	(1,136,521)	-	-	(1,136,521)
<b>Total net assets - beginning</b>	27,254,870	-	-	27,254,870
<b>Total net assets - ending</b>	\$26,118,349	\$ -	\$ -	\$26,118,349



# Metropolitan Transportation Commission

## Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – SAFE Proprietary Fund – Call Box Program – By County

### For the Year Ended June 30, 2006

Schedule 11

	Alameda	Contra Costa	Marin	Napa	San Francisco	San Mateo	Santa Clara	Solano	Sonoma	Total
Revenues										
Department of Motor Vehicles										
registration fees	\$ 1,222,976	\$ 878,159	\$ 232,967	\$ 128,562	\$ 478,356	\$ 693,957	\$ 1,462,116	\$ 363,802	\$ 463,398	\$ 5,924,293
Investment earnings and other revenues	166,249	119,375	31,669	17,477	65,027	94,335	198,757	49,454	62,993	805,336
Total revenues	1,389,225	997,534	264,636	146,039	543,383	788,292	1,660,873	413,256	526,391	6,729,629
Expenses	451,030	355,750	102,161	92,600	42,215	349,707	538,675	256,432	195,734	2,384,304
Income before operating and capital transfers	938,195	641,784	162,475	53,439	501,168	438,585	1,122,198	156,824	330,657	4,345,325
Interfund transfers	(1,499,189)	(866,537)	(327,802)	(60,686)	(190,962)	(712,115)	(1,222,597)	(357,696)	(244,262)	(5,481,846)
Change in net assets	(560,994)	(224,753)	(165,327)	(7,247)	310,206	(273,530)	(100,399)	(200,872)	86,395	(1,136,521)
Total net assets - beginning	5,785,913	3,409,933	(246,484)	(34,611)	4,531,970	3,153,619	8,150,174	(151,747)	2,656,103	27,254,870
Total net assets - ending	\$ 5,224,919	\$ 3,185,180	\$ (411,811)	\$ (41,858)	\$ 4,842,176	\$ 2,880,089	\$ 8,049,775	\$ (352,619)	\$ 2,742,498	\$ 26,118,349

**Metropolitan Transportation Commission**  
**Schedule of Computations Demonstrating**  
**Bond Covenant Compliance – BATA Proprietary Fund**  
**For the Year Ended June 30, 2006**

**Schedule 12**

	<b>2006</b>	<b>2005</b>
<b>Revenue</b>		
Tolls	\$ 280,276,856	\$ 248,140,901
Investment income	44,059,545	21,234,931
Other	9,657,525	4,090,014
Total revenue	333,993,926	273,465,846
<b>Operating expenses</b>		
Operating expenses	32,656,652	37,582,215
Services and charges	30,707,245	16,453,104
Depreciation and amortization	844,809	336,572
Total operating expenses	64,208,706	54,371,891
Net operating income	269,785,220	219,093,955
Debt service	63,146,496	35,373,668
Income before operating transfers	206,638,724	183,720,287
<b>Operating transfers</b>		
Metropolitan Transportation Commission administrative transfers	8,797,972	3,287,873
Metropolitan Transportation Commission transit transfers		
AB 664 expenses	11,636,478	11,913,310
90% rail expenses	9,412,944	9,902,721
5% transit expenses	923,667	936,988
Transfers to Regional Measure 2 operators	17,380,548	6,817,635
Total operating transfers	48,151,609	32,858,527
Net income before capital transfers	158,487,115	150,861,760
<b>Capital project transfers</b>		
Regional Measure 1 transfers	238,264,024	309,445,814
Bridge rehabilitation transfers	22,255,058	10,996,642
Regional Measure 2 transfers	65,210,373	13,261,028
Bridge Seismic transfers	146,520,452	-
Transfers to other agencies	560,717	3,832,972
Total capital transfers	472,810,624	337,536,456
Net loss before contribution and extraordinary item	(314,323,509)	(186,674,696)
<b>Contributions from Caltrans</b>	499,403,240	-
<b>Extraordinary item</b>	(1,119,562,683)	-
<b>Change in net assets</b>	(934,482,952)	(186,674,696)
<b>Total net assets/(deficits) - beginning</b>	(356,992,246)	(170,317,550)
<b>Total net assets/(deficits) - ending</b>	\$ (1,291,475,198)	\$ (356,992,246)

**Metropolitan Transportation Commission**  
**Schedule of Computations Demonstrating**  
**Bond Covenant Compliance – BATA Proprietary Fund, *continued***  
**For the Year Ended June 30, 2006**

**Schedule 12**

Net operating income	\$ 269,785,220	\$ 219,093,955
Debt service	\$ 68,931,496	\$ 35,373,668
Debt service coverage <sup>1</sup>	3.91	6.19
Debt service coverage - bond covenant requirement	1.20	1.00
 Total revenue	 \$ 333,993,926	 \$ 273,465,846
Fixed charges <sup>2</sup>	\$ 181,291,811	\$ 122,604,086
Fixed charge coverage	1.84	2.23
Fixed charge coverage - bond covenant requirement	1.00	1.00
 Total revenue plus operations & maintenance reserve	 \$ 458,993,926	 \$ 398,465,846
Fixed charges <sup>2</sup>	\$ 181,291,811	\$ 122,604,086
Fixed charge coverage	2.53	3.25
Fixed charge coverage - bond covenant requirement	1.25	1.25
 Self insurance reserve	 \$ 50,000,000	 \$ 50,000,000
Self insurance reserve - bond covenant requirement	\$ 50,000,000	\$ 50,000,000
 Caltrans Operations & maintenance reserve	 \$ 125,000,000	 \$ 125,000,000
Caltrans Operations & maintenance reserve - bond coverage requirement	\$ 65,313,304	\$ 108,743,782

<sup>1</sup>Based on debt outstanding from May 24, 2001, February 14, 2003, October 5, 2004, February 8, 2006 and April 25, 2006.

<sup>2</sup>Fixed charges comprise operating expenses, debt service and operating transfers.

**Metropolitan Transportation Commission**  
**Schedule of Operating Revenues and Expenses – BATA Proprietary Fund – By Bridge**  
**For the Year Ended June 30, 2006**

**Schedule 13**

	Benicia - Carquinez Bridge	Martinez Bridge	Antioch Bridge	Richmond - San Rafael Bridge	San Francisco - Oakland Bay Bridge	San Mateo - Hayward Bridge	Dumbarton Bridge	Total
<b>Operating revenues</b>								
Toll revenues collected by Caltrans	\$51,766,708	\$41,578,791	\$ 6,675,489	\$28,685,717	\$ 94,092,670	\$35,638,094	\$ 21,839,387	\$ 280,276,856
Other operating revenues	1,072,664	1,031,347	125,973	557,184	2,570,292	887,118	554,172	6,798,750
Total operating revenues	52,839,372	42,610,138	6,801,462	29,242,901	96,662,962	36,525,212	22,393,559	287,075,606
<b>Operating expenses</b>								
Operating expenditures incurred by Caltrans	4,739,019	4,382,023	1,570,725	3,025,124	12,310,489	3,968,588	2,660,684	32,656,652
Services and charges	5,527,304	4,606,087	614,145	3,070,724	10,440,463	3,991,942	2,456,580	30,707,245
Allocations to other agencies	3,210,161	2,578,387	413,961	1,778,861	5,834,881	2,209,992	1,354,305	17,380,548
Depreciation	156,035	125,327	20,121	86,464	283,614	107,420	65,828	844,809
Total operating expenses	13,632,519	11,691,824	2,618,952	7,961,173	28,869,447	10,277,942	6,537,397	81,589,254
<b>Operating income</b>	\$39,206,853	\$30,918,314	\$ 4,182,510	\$21,281,728	\$ 67,793,515	\$26,247,270	\$ 15,856,162	\$ 205,486,352

**Metropolitan Transportation Commission**  
**Schedule of Paid and Free Vehicles – By Bridge (in Number of Vehicles)**  
**For the Year Ended June 30, 2006**

**Schedule 14**

	San Francisco- Oakland Bay Bridge	San Mateo- Hayward Bridge	Dumbarton Bridge	Carquinez Bridge	Benicia- Martinez Bridge	Antioch Bridge	Richmond- San Rafael Bridge	Toll Traffic Total
Autos, Trucks, Buses & Trailers								
2-Axle	40,645,737	14,704,677	9,371,184	19,963,854	16,360,375	2,268,599	11,489,208	114,803,634
3-Axle	130,056	97,528	39,415	148,003	145,939	42,128	79,564	682,633
4-Axle	84,786	71,631	21,917	112,826	129,353	30,884	63,026	514,423
5-Axle	396,132	254,043	94,529	672,484	419,577	136,218	272,062	2,245,045
6-Axle	7,252	2,703	1,546	16,051	11,762	1,373	3,772	44,459
7-Axle & More	872	697	509	1,119	4,421	31	77	7,726
Subtotal - Paid Vehicles	41,264,835	15,131,279	9,529,100	20,914,337	17,071,427	2,479,233	11,907,709	118,297,920
Free Vehicles	4,989,144	1,817,135	1,428,058	1,795,234	1,221,001	208,682	737,848	12,197,102
Total Vehicles	46,253,979	16,948,414	10,957,158	22,709,571	18,292,428	2,687,915	12,645,557	130,495,022

**Metropolitan Transportation Commission  
Schedule of Traffic and Toll Revenue for the Carqueinez Bridge – BATA Proprietary Fund  
For the Year Ended June 30, 2006**

## Schedule 15

	Number of Northbound Vehicles				Toll Revenues			
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles	Total Revenues
July	1,827,523	81,882	1,909,405	151,090	2,060,495	\$ 3,655,045	\$ 648,922	\$ 4,303,967
August	1,789,835	87,706	1,877,541	187,194	2,064,735	3,579,670	704,418	4,284,088
September	1,639,103	81,728	1,720,831	161,583	1,882,414	3,278,206	661,811	3,940,017
October	1,670,923	82,064	1,752,987	114,540	1,867,527	3,341,846	665,856	4,007,702
November	1,599,927	75,083	1,675,010	140,662	1,815,672	3,199,854	611,547	3,811,401
December	1,633,010	73,952	1,706,962	139,069	1,846,031	3,266,020	607,889	3,873,909
January	1,596,301	72,159	1,668,460	143,337	1,811,797	3,192,603	588,238	3,780,841
February	1,503,471	68,644	1,572,115	136,848	1,708,963	3,006,942	559,841	3,566,783
March	1,691,893	90,714	1,782,607	134,719	1,917,326	3,383,786	697,345	4,081,131
April	1,628,823	70,606	1,699,429	164,401	1,863,830	3,857,404	592,455	4,449,859
May	1,668,976	81,433	1,750,409	172,782	1,923,191	5,006,928	747,749	5,754,677
June	1,714,069	84,512	1,798,581	149,009	1,947,590	5,142,207	770,126	5,912,333
Grand Total								
FY 05-06	19,963,854	950,483	20,914,337	1,795,234	22,709,571	\$43,910,511	\$ 7,856,197	\$ 51,766,708

# Metropolitan Transportation Commission

## Schedule of Traffic and Toll Revenue for the Benicia-Martinez Bridge – BATA Proprietary Fund

For the Year Ended June 30, 2006

Schedule 16

	Number of Northbound Vehicles				Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles
July	1,429,846	66,658	1,496,504	117,409	1,613,913	\$ 2,859,692	\$ 481,879
August	1,439,466	69,767	1,509,233	126,873	1,636,106	2,878,932	519,081
September	1,334,976	64,055	1,399,031	115,477	1,514,508	2,669,952	483,508
October	1,409,883	65,478	1,475,361	98,406	1,573,767	2,819,766	504,451
November	1,329,504	56,160	1,385,664	104,897	1,490,561	2,659,008	432,087
December	1,332,203	54,369	1,386,572	109,126	1,495,698	2,664,406	428,407
January	1,304,056	49,589	1,353,645	106,234	1,459,879	2,608,112	383,508
February	1,247,445	48,722	1,296,167	77,277	1,373,444	2,494,890	377,454
March	1,393,832	55,568	1,449,400	78,038	1,527,438	2,787,664	433,486
April	1,333,363	50,519	1,383,882	86,198	1,470,080	3,158,876	402,524
May	1,391,148	63,480	1,454,628	101,096	1,555,724	4,173,444	545,052
June	1,414,653	66,687	1,481,340	99,970	1,581,310	4,243,959	568,653
Grand Total	16,360,375	711,052	17,071,427	1,221,001	18,292,428	\$36,018,701	\$ 5,560,090
FY 05-06							\$41,578,791

# Metropolitan Transportation Commission

## Schedule of Traffic and Toll Revenue for the Antioch Bridge – BATA Proprietary Fund

For the Year Ended June 30, 2006

Schedule 17

	Number of Northbound Vehicles				Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles
July	213,242	19,901	233,143	19,551	252,694	\$ 426,484	\$ 142,683
August	205,812	23,269	229,081	18,520	247,601	411,624	178,044
September	188,593	19,315	207,908	20,245	228,153	377,186	145,732
October	191,196	19,010	210,206	17,056	227,262	382,392	144,800
November	184,300	16,659	200,959	17,991	218,950	368,600	128,638
December	182,313	14,506	196,819	15,973	212,792	364,626	116,223
January	170,505	15,089	185,594	15,459	201,053	341,010	121,727
February	165,793	14,915	180,708	14,547	195,255	331,586	119,365
March	183,504	15,696	199,200	15,596	214,796	367,008	126,805
April	181,716	14,690	196,406	15,811	212,217	431,605	121,169
May	195,542	17,847	213,389	19,363	232,752	586,626	154,216
June	206,083	19,737	225,820	18,570	244,390	618,249	169,091
Grand Total	2,268,599	210,634	2,479,233	208,682	2,687,915	\$ 5,006,996	\$ 1,668,493
FY 05-06							\$ 6,675,489



**Metropolitan Transportation Commission**  
**Schedule of Traffic and Toll Revenue for the Richmond-San Rafael Bridge – BATA Proprietary Fund**  
**For the Year Ended June 30, 2006** **Schedule 18**

	Number of Westbound Vehicles				Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles
July	999,549	37,236	1,036,785	81,007	1,117,792	\$ 1,999,098	\$ 284,213
August	1,012,601	41,010	1,053,611	84,273	1,137,884	2,025,202	317,690
September	951,108	38,312	989,420	68,870	1,058,290	1,902,216	300,248
October	975,040	39,574	1,014,614	64,242	1,078,856	1,950,080	314,259
November	933,249	33,696	966,945	65,549	1,032,494	1,866,498	263,641
December	916,575	31,246	947,821	50,840	998,661	1,833,150	248,329
January	909,686	30,488	940,174	54,831	995,005	1,819,372	240,957
February	864,070	29,018	893,088	47,527	940,615	1,728,140	226,336
March	986,252	32,638	1,018,890	48,817	1,067,707	1,972,504	253,124
April	924,395	29,842	954,237	56,967	1,011,204	2,196,136	240,721
May	986,505	36,252	1,022,757	61,631	1,084,388	2,959,515	317,817
June	1,030,178	39,189	1,069,367	53,294	1,122,661	3,090,534	335,937
Grand Total	11,489,208	418,501	11,907,709	737,848	12,645,557	\$25,342,445	\$ 3,343,272
FY 05-06							\$28,685,717

**Metropolitan Transportation Commission**  
**Schedule of Traffic and Toll Revenue for the San Francisco-Oakland Bay Bridge – BATA Proprietary Fund**  
**For the Year Ended June 30, 2006** **Schedule 19**

	Number of Westbound Vehicles				Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles
July	3,668,717	54,006	3,722,723	395,391	4,118,114	\$ 7,337,434	\$ 405,843
August	3,651,894	60,313	3,712,207	460,402	4,172,609	7,303,788	460,527
September	3,339,858	55,745	3,395,603	421,656	3,817,259	6,679,716	430,798
October	3,408,680	56,001	3,464,681	405,125	3,869,806	6,817,360	434,396
November	3,326,793	51,495	3,378,288	408,863	3,787,151	6,653,586	402,090
December	3,372,843	47,838	3,420,681	388,045	3,808,726	6,745,686	373,513
January	3,336,524	48,791	3,385,315	407,096	3,792,411	6,673,048	377,831
February	3,078,592	45,638	3,124,230	373,763	3,497,993	6,157,184	352,461
March	3,461,919	53,736	3,515,655	422,845	3,938,500	6,923,838	407,755
April	3,308,605	45,303	3,353,908	425,013	3,778,921	7,843,030	363,181
May	3,386,145	49,387	3,435,532	474,056	3,909,588	10,158,435	436,897
June	3,305,167	50,845	3,356,012	406,889	3,762,901	9,915,501	438,772
Grand Total							
FY 05-06	40,645,737	619,098	41,264,835	4,989,144	46,253,979	\$ 89,208,606	\$ 4,884,064
							\$ 94,092,670

# Metropolitan Transportation Commission

## Schedule of Traffic and Toll Revenue for the San Mateo-Hayward Bridge – BATA Proprietary Fund

For the Year Ended June 30, 2006 Schedule 20

	Number of Westbound Vehicles			Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	Total Revenues
July	1,275,046	36,598	1,311,644	132,740	1,444,384	\$ 2,817,348
August	1,282,532	39,145	1,321,677	166,222	1,487,899	2,854,094
September	1,221,838	38,127	1,259,965	152,891	1,412,856	2,729,090
October	1,266,200	39,267	1,305,467	148,293	1,453,760	2,827,948
November	1,197,330	36,191	1,233,521	147,872	1,381,393	2,667,015
December	1,188,865	33,548	1,222,413	136,981	1,359,394	2,635,026
January	1,183,020	33,420	1,216,440	144,334	1,360,774	2,617,000
February	1,117,105	31,152	1,148,257	133,383	1,281,640	2,467,091
March	1,271,847	34,704	1,306,551	144,742	1,451,293	2,805,008
April	1,197,763	30,789	1,228,552	145,146	1,373,698	3,078,709
May	1,238,372	35,912	1,274,284	181,829	1,456,113	4,023,006
June	1,264,759	37,749	1,302,508	182,702	1,485,210	4,116,759
Grand Total	14,704,677	426,602	15,131,279	1,817,135	16,948,414	\$35,638,094
FY 05-06						\$3,286,417

# Metropolitan Transportation Commission

## Schedule of Traffic and Toll Revenue for the Dumbarton Bridge – BATA Proprietary Fund

For the Year Ended June 30, 2006

Schedule 21

	Number of Westbound Vehicles				Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles
July	786,787	13,432	800,219	103,143	903,362	\$ 1,573,574	\$ 95,928
August	807,539	14,322	821,861	134,530	956,391	1,615,078	104,626
September	755,429	13,808	769,237	130,253	899,490	1,510,858	100,630
October	820,591	14,729	835,320	98,326	933,646	1,641,182	110,455
November	763,110	13,149	776,259	112,508	888,767	1,526,220	98,215
December	750,601	12,742	763,343	103,613	866,956	1,501,202	97,078
January	753,270	11,974	765,244	121,782	887,026	1,506,540	89,842
February	728,309	11,826	740,135	105,457	845,592	1,456,618	89,411
March	827,546	13,038	840,584	128,372	968,956	1,655,092	97,297
April	770,682	11,466	782,148	111,747	893,895	1,821,682	91,826
May	802,839	13,526	816,365	140,918	957,283	2,408,517	115,549
June	804,481	13,904	818,385	137,409	955,794	2,413,443	118,524
Grand Total	9,371,184	157,916	9,529,100	1,428,058	10,957,158	\$ 20,630,006	\$ 1,209,381
FY 05-06							\$ 21,839,387

**Metropolitan Transportation Commission**  
**Combining Statement of Changes in Assets and Liabilities by Participant –**  
**Agency Funds**  
**For the Year Ended June 30, 2006**

**Schedule 22**

<u>County of Alameda</u>	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Assets				
Cash and cash equivalents	\$ 17,106,100	69,083,717	68,429,405	\$ 17,760,412
Total Assets	\$ 17,106,100	69,083,717	68,429,405	\$ 17,760,412
Liabilities				
Accounts Payable	\$ 4,535,515	61,056,525	60,467,674	\$ 5,124,366
Due to other governments	12,570,585	8,027,192	7,961,731	12,636,046
Total Liabilities	\$ 17,106,100	69,083,717	68,429,405	\$ 17,760,412
<u>County of Contra Costa</u>				
Assets				
Cash and cash equivalents	\$ 19,021,607	36,042,742	38,709,156	\$ 16,355,193
Total Assets	\$ 19,021,607	36,042,742	38,709,156	\$ 16,355,193
Liabilities				
Accounts Payable	\$ 391,151	37,541,180	37,540,044	\$ 392,287
Due to other governments	18,630,456	(1,498,438)	1,169,112	15,962,906
Total Liabilities	\$ 19,021,607	36,042,742	38,709,156	\$ 16,355,193
<u>County of Marin</u>				
Assets				
Cash and cash equivalents	\$ 1,435,140	10,709,490	9,938,210	\$ 2,206,420
Total Assets	\$ 1,435,140	10,709,490	9,938,210	\$ 2,206,420
Liabilities				
Accounts Payable	\$ 165,400	10,175,113	9,511,974	\$ 828,539
Due to other governments	1,269,740	534,377	426,236	1,377,881
Total Liabilities	\$ 1,435,140	10,709,490	9,938,210	\$ 2,206,420
<u>County of Napa</u>				
Assets				
Cash and cash equivalents	\$ 9,522,107	7,215,106	5,962,285	\$ 10,774,928
Total Assets	\$ 9,522,107	7,215,106	5,962,285	\$ 10,774,928
Liabilities				
Accounts Payable	\$ -	5,725,368	5,725,368	\$ -
Due to other governments	9,522,107	12,940,474	11,687,653	10,774,928
Total Liabilities	\$ 9,522,107	18,665,842	17,413,021	\$ 10,774,928
<u>County of San Francisco</u>				
Assets				
Cash and cash equivalents	\$ 4,783,415	35,781,894	35,002,682	\$ 5,562,627
Total Assets	\$ 4,783,415	35,781,894	35,002,682	\$ 5,562,627
Liabilities				
Accounts Payable	\$ 22,235	31,944,714	31,959,326	\$ 7,623
Due to other governments	4,761,180	3,837,180	3,043,356	5,555,004
Total Liabilities	\$ 4,783,415	35,781,894	35,002,682	\$ 5,562,627

**Metropolitan Transportation Commission**  
**Combining Statement of Changes in Assets and Liabilities by Participant –**  
**Agency Funds, *continued***  
**For the Year Ended June 30, 2006**

**Schedule 22**

<u>County of San Mateo</u>				
Assets	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Cash and cash equivalents	\$ 3,058,380	33,714,676	30,577,945	\$ 6,195,111
Total Assets	\$ 3,058,380	33,714,676	30,577,945	\$ 6,195,111
Liabilities				
Accounts Payable	\$ -	28,039,916	28,007,355	\$ 32,561
Due to other governments	3,058,380	5,674,760	2,570,590	6,162,550
Total Liabilities	\$ 3,058,380	33,714,676	30,577,945	\$ 6,195,111
<u>County of Santa Clara</u>				
Assets				
Cash and cash equivalents	\$ 5,956,217	84,190,019	78,942,328	\$ 11,203,908
Total Assets	\$ 5,956,217	84,190,019	78,942,328	\$ 11,203,908
Liabilities				
Accounts Payable	\$ 118,719	72,761,526	72,188,721	\$ 691,524
Due to other governments	5,837,498	11,428,493	6,753,607	10,512,384
Total Liabilities	\$ 5,956,217	84,190,019	78,942,328	\$ 11,203,908
<u>County of Solano</u>				
Assets				
Cash and cash equivalents	\$ 11,826,146	16,451,494	16,113,777	\$ 12,163,863
Total Assets	\$ 11,826,146	16,451,494	16,113,777	\$ 12,163,863
Liabilities				
Accounts Payable	\$ 21,790	15,579,741	15,496,049	\$ 105,482
Due to other governments	11,804,356	871,753	617,728	12,058,381
Total Liabilities	\$ 11,826,146	16,451,494	16,113,777	\$ 12,163,863
<u>County of Sonoma</u>				
Assets				
Cash and cash equivalents	\$ 18,776,441	20,101,113	20,885,994	\$ 17,991,560
Total Assets	\$ 18,776,441	20,101,113	20,885,994	\$ 17,991,560
Liabilities				
Accounts Payable	\$ 806,439	19,907,179	20,137,575	\$ 576,043
Due to other governments	17,970,002	193,934	748,419	17,415,517
Total Liabilities	\$ 18,776,441	20,101,113	20,885,994	\$ 17,991,560
<u>AB 1107</u>				
Assets				
Cash and cash equivalents	\$ -	74,805,955	74,805,955	\$ -
Total Assets	\$ -	74,805,955	74,805,955	\$ -
Liabilities				
Accounts Payable	\$ -	85,631,207	85,631,207	\$ -
Due to other governments	-	160,437,162	160,437,162	-
Total Liabilities	\$ -	246,068,369	246,068,369	\$ -
<u>Totals - All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 91,485,553	388,096,209	379,367,740	\$ 100,214,022
Total Assets	\$ 91,485,553	388,096,209	379,367,740	\$ 100,214,022
Liabilities				
Accounts Payable	\$ 6,061,249	368,362,470	366,665,294	\$ 7,758,425
Due to other governments	85,424,304	19,733,739	12,702,446	92,455,597
Total Liabilities	\$ 91,485,553	388,096,209	379,367,740	\$ 100,214,022

Metropolitan Transportation Commission  
Schedule of Interest Rate Swap Summary – BATA Proprietary Fund  
For the Year Ended June 30, 2006

Schedule 23

COUNTERPARTY	SERIES 2001	SERIES 2003	SERIES 2004	SERIES 2006 A-E	SERIES 2007	TOTAL	PERCENTAGE BY COUNTERPARTY	RATINGS (S&P/MOODYS)
Ambac	\$150,000,000	\$200,000,000	\$300,000,000	\$500,000,000	\$420,000,000	\$1,570,000,000	56%	AAA/Aaa
Citigroup/Citibank	\$75,000,000	-	-	\$225,000,000	\$260,000,000	\$560,000,000	20%	AA-/Aa1
JP Morgan AAA ISDA	-	-	-	\$245,000,000	\$270,000,000	\$515,000,000	18%	AAA/Aaa
Bank of America	-	-	-	\$30,000,000	\$50,000,000	\$80,000,000	3%	AA-/Aa1
Morgan Stanley	\$75,000,000	-	-	-	-	\$75,000,000	3%	A+/Aa3
Total Swap Notional	\$300,000,000	\$200,000,000	\$300,000,000	\$1,000,000,000	\$1,000,000,000	\$2,800,000,000		

Termination Value	(\$14,187,151)	(\$9,508,736)	\$7,527,954	\$33,998,544	\$34,708,559	\$52,539,170
-------------------	----------------	---------------	-------------	--------------	--------------	--------------

Average Basis Costs (FY 05-06)	0.15%	(0.01%)	0.07%	(0.14%)	N/A	(0.01%)*
--------------------------------	-------	---------	-------	---------	-----	----------

\* Weighted portfolio average (FY 05-06)

# Metropolitan Transportation Commission

## Schedule of Interest Rate Swap for Series 2001, 2003 and 2004 – BATA Proprietary Fund For the Year Ended June 30, 2006

Schedule 24

	SERIES A-2001	SERIES A-2001	SERIES B-2001	SERIES C-2001	SERIES 2003	SERIES 2004	TOTAL
Notional Amount	\$75,000,000	\$75,000,000	\$75,000,000	\$75,000,000	\$200,000,000	\$300,000,000	\$800,000,000
Trade Date	1/10/2002	1/10/2002	1/10/2002	1/10/2002	3/5/2003	8/31/2004	
Swap Mode	65% One Mth LIBOR (1)	65% One Mth LIBOR (1)	65% One Mth LIBOR (1)	65% One Mth LIBOR (1)	65% One Mth LIBOR (1)	54% One Mth LIBOR +0.54%	
Maturity	4/1/2036	4/1/2036	4/1/2029	4/1/2025	4/1/2038	4/1/2039	
Basis Cost	Yes	Yes	Yes	Yes	Yes	Yes	
All-in Rate							
contracted cost =	4.0900%	4.1000%	4.1200%	4.1100%	4.1390%	3.4155%	
average series basis cost (FY 05-06)	0.1500%	0.1500%	0.1500%	0.1500%	-0.0100%	0.0700%	
liquidity/remarketing	0.3000%	0.3000%	0.3000%	0.3000%	0.3000%	0.3000%	
	4.5400%	4.5500%	4.5700%	4.5600%	4.4290%	3.7855%	
Counterparty (CP)	Morgan Stanley	CitiGroup	Ambac	Ambac	Ambac	Ambac	
S&P/Moodys	A+/Aa3	A+/Aa1	A+/Aaa	A+/Aaa	A+/Aaa	A+/Aaa	
Ratings Outlook	Stable/Stable	Positive/Stable	Stable/Stable	Stable/Stable	Stable/Stable	Stable/Stable	
Termination Value							
Due from/(to) to CP	(\$3,724,304)	(\$3,827,646)	(\$3,584,902)	(\$3,050,299)	(\$9,508,736)	\$7,527,954	(\$16,167,933)
Credit Risk							
CP Collateral Posting (2)							
1a) CP < A+ (S&P)	No	No	No	No	No	No	
or							
1b) CP < Aa3 (Moody's)	No	No	No	No	No	No	
and							
2) Termination Value >\$10,000,000	No	No	No	No	No	No	
Termination Risk (3)	No	No	No	No	No	No	
Tax Risk	Yes	Yes	Yes	Yes	Yes	Yes	
Rollover Risk	No	No	No	No	No	No	
Amortization Risk	No	No	No	No	No	No	

(1) Prior to 1/1/06 was cost of fund

(2) Unilateral collateral posting by CP

(3) Unilateral termination at BATA's discretion



**Metropolitan Transportation Commission**  
**Schedule of Interest Rate Swap for Series 2006 – BATA Proprietary Fund**  
**For the Year Ended June 30, 2006**

**Schedule 25**

	SERIES A 2006	SERIES B 2006	SERIES 2006	SERIES 2006	TOTAL
Trade Date	\$245,000,000	\$225,000,000	\$500,000,000	\$30,000,000	\$1,000,000,000
Trade Date	11/15/2005	11/15/2005	11/15/2005	11/15/2005	
Swap Mode	67.8% 10 Yr LIBOR CMS (1)	53.8% One Mth LIBOR+0.74%	68% One Mth LIBOR	68% One Mth LIBOR	
Maturity	75.105% One Mth LIBOR				
Basis Cost	4/1/2045	4/1/2045	4/1/2045	4/1/2045	
All in Rate	Yes	Yes	Yes	Yes	
contracted cost =					
average series basis cost (FY 05-06)	4.0000%	3.6375%	3.6468%	3.6330%	
liquidity/remarketing	-0.1400%	-0.1400%	-0.1400%	-0.1400%	
	0.3000%	0.3000%	0.3000%	0.3000%	
	4.1600%	3.7975%	3.8068%	3.7930%	
Counterparty (CP)	JP Morgan AAA ISDA	Citibank	Ambac	Bank of America	
S&P/Moodys	AAA/Aaa	AA/Aa1	AAA/Aaa	AA-/Aa1	
Ratings Outlook	N/A	Positive/Positive	Stable/Stable	Stable/Stable	
Termination Value					
Due from/(to) to CP	\$7,985,882	\$6,489,793	\$18,359,821	\$1,163,048	\$33,998,544
Credit Risk					
CP Collateral Posting (2)					
1 a) CP < A+ (S&P)	No	No	No	No	
or					
1 b) CP < Aa3 (Moody's)	No	No	No	No	
and					
2) Termination Value > \$10,000,000	No	No	Yes	No	
Collateral Posted by CP	\$25,028,599 (3)				
Termination Risk (4)	No	No	No	No	
Tax Risk	Yes	Yes	Yes	Yes	
Rollover Risk	No	No	No	No	
Amortization Risk	No	No	No	No	

(1) Amended on 6/1/06 from 75.105% one month LIBOR; swap mode is in 2 legs, converts back to 75.105% one month LIBOR on 4/1/36

(2) Unilateral collateral posting by CP

(3) Collateral posted by CP under terms and conditions of JPMorgan AAA ISDA; \$0 threshold regardless of ratings

(4) Unilateral termination at BATA's discretion

# Metropolitan Transportation Commission

## Schedule of Interest Rate Forward Swap for Series 2007 – BATA Proprietary Fund

For the Year Ended June 30, 2006

Schedule 26

	SERIES A 2007	SERIES B 2007	SERIES 2007	SERIES 2007	TOTAL
Notional Amount	\$270,000,000	\$260,000,000	\$420,000,000	\$50,000,000	\$1,000,000,000
Trade Date	11/30/2005	11/30/2005	11/30/2005	11/30/2005	
Effective Date (5)	11/1/2007	11/1/2007	11/1/2007	11/1/2007	
Swap Mode	69.33% 5 Yr LIBOR CMS (1) 75.08% One Mth LIBOR	53.8% One Mth LIBOR+0.74%	68% One Mth LIBOR	68% One Mth LIBOR	
Maturity	4/1/2046	4/1/2047	4/1/2047	4/1/2047	
Basis Cost	Yes	Yes	Yes	Yes	
All in Rate					
contracted cost					
Counterparty (CP)	4.0000%	3.6360%	3.6407%	3.6255%	
S&P/Moodys	JP Morgan AAA ISDA	Citibank	Ambac	Bank of America	
Ratings Outlook	AAA/Aaa	AA/Aa1	AAA/Aaa	AA-/Aa1	
Termination Value	N/A	Positive/Positive	Stable/Stable	Stable/Stable	
Due from/(to) to CP	\$10,638,454	\$7,177,325	\$15,003,244	\$1,889,536	\$34,708,559
Credit Risk					
CP Collateral Posting (2)	No	No	No	No	
1a) CP < A+ (S&P)	No	No	No	No	
1b) CP < Aa3 (Moody's)	No	No	No	No	
and					
2) Termination Value > \$10,000,000	Yes	No	Yes	No	
Collateral Posted by CP	\$26,542,638 (3)				
Termination Risk (4)	Yes	Yes	Yes	Yes	
Market Access Risk	Adverse Market Conditions May Affect BATA's Ability to Finance and Deliver \$1 Billion in Bonds Prior to 11/1/07	Adverse Market Conditions May Affect BATA's Ability to Finance and Deliver \$1 Billion in Bonds Prior to 11/1/07	Adverse Market Conditions May Affect BATA's Ability to Finance and Deliver \$1 Billion in Bonds Prior to 11/1/07	Adverse Market Conditions May Affect BATA's Ability to Finance and Deliver \$1 Billion in Bonds Prior to 11/1/07	
Tax Risk	Yes	Yes	Yes	Yes	
Rollover Risk	No	No	No	No	
Amortization Risk	No	No	No	No	

(1) Amended on 6/1/06 from 75.08% one month LIBOR; swap mode is in 2 legs, converts back to 75.08% one month LIBOR on 4/1/41

(2) Unilateral collateral posting by CP

(3) Collateral posted by CP under terms and conditions of JPMorgan AAA ISDA; \$0 threshold regardless of ratings

(4) Unilateral termination at BATA's discretion upon financing and delivery of \$1 billion bonds

(5) Forward swap executed in 2005; effective 11/1/07

## **STATISTICAL SECTION**

**Metropolitan Transportation Commission**  
**Net Assets by Component**  
**By Fiscal Year**

**Table 1**

	FISCAL YEAR				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 3,465,851	\$ 3,145,598	\$ 2,945,486	\$ 6,050,609	\$ 5,826,876
Restricted	101,516,139	123,408,092	116,531,998	104,451,116	117,116,581
Unrestricted	63,366,428	37,498,779	35,169,154	49,795,285	50,970,344
Total governmental activities net assets	\$ 168,348,418	\$ 164,052,469	\$ 154,646,638	\$ 160,297,010	\$ 173,913,801
Business-type activities					
Invested in capital assets, net of related debt	\$ 1,273,731	\$ 2,137,004	\$ 1,885,998	\$ 4,895,382	\$ 5,539,155
Restricted	125,000,000	130,000,000	175,000,000	257,670,228	643,443,555
Unrestricted	288,980,936	40,209,942	(320,399,132)	(592,302,986)	(1,914,339,559)
Total business-type activities net assets	\$ 415,254,667	\$ 172,346,946	\$ (143,513,134)	\$ (329,737,376)	\$ (1,265,356,849)
Primary government					
Invested in capital assets, net of related debt	\$ 4,739,582	\$ 5,282,602	\$ 4,831,484	\$ 10,945,991	\$ 11,366,031
Restricted	226,516,139	253,408,092	291,531,998	362,121,344	760,560,136
Unrestricted	352,347,364	77,708,721	(285,229,978)	(542,507,701)	(1,863,369,215)
Total primary government net assets	\$ 583,603,085	\$ 336,399,415	\$ 11,133,504	\$ (169,440,366)	\$ (1,091,443,048)

# Metropolitan Transportation Commission

## Changes in Net Assets

### By Fiscal Year

**Table 2**

	FISCAL YEAR				
	2002	2003	2004	2005	2006
<b>Expenses</b>					
Governmental activities:					
General government	\$ 45,894,987	\$ 48,570,719	\$ 47,237,837	\$ 47,451,629	\$ 63,297,372
Transportation	92,787,010	105,152,624	81,873,193	71,885,313	87,731,178
Total governmental activities expenses	138,681,997	153,723,343	129,111,030	119,336,942	151,028,550
Business-type activities:					
Toll bridge activities	\$ 347,029,659	\$ 390,063,272	\$ 451,929,596	\$ 433,703,072	\$ 617,546,375
Congestion Relief	9,251,327	10,375,587	10,869,417	11,788,922	12,401,445
Total business-type activities expenses	356,280,986	400,438,859	462,799,013	445,491,994	629,947,820
Total primary government expenses	\$ 494,962,983	\$ 554,162,202	\$ 591,910,043	\$ 564,828,936	\$ 780,976,370
<b>Program Revenues</b>					
Governmental activities:					
Charges for services					
Operating grants and contributions	\$ 47,068,942	\$ 48,068,323	\$ 49,973,776	\$ 50,164,492	\$ 57,641,452
Capital grants and contributions	64,472,632	72,344,529	42,343,900	44,957,468	70,769,703
Total governmental activities program revenues	111,541,574	120,412,852	92,317,676	95,121,960	128,411,155
Business-type activities:					
Charges for services	150,127,560	151,914,404	152,936,898	256,466,211	292,999,899
Operating grants and contributions	7,068,363	7,073,668	6,717,919	8,129,406	8,868,243
Capital grants and contributions	-	-	-	-	499,403,240
Total business-type activities program revenues	157,195,923	158,988,072	159,654,817	264,595,617	801,271,382
Total primary government program revenues	\$ 268,737,497	\$ 279,400,924	\$ 251,972,493	\$ 359,717,577	\$ 929,682,537
Net (expense)/revenue					
Governmental activities	\$ (27,140,423)	\$ (33,310,491)	\$ (36,793,354)	\$ (24,214,982)	\$ (22,617,395)
Business-type activities	(199,085,063)	(241,450,787)	(303,144,196)	(180,896,377)	171,323,562
Total primary government net expense	\$ (226,225,486)	\$ (274,761,278)	\$ (339,937,550)	\$ (205,111,359)	\$ 148,706,167
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Unrestricted Investment Earnings	\$ 4,374,608	\$ 1,764,255	\$ 1,089,784	\$ 2,790,946	\$ 3,996,455
Transfers	27,012,806	27,250,287	26,297,739	27,074,408	32,237,731
Total governmental activities	31,387,414	29,014,542	27,387,523	29,865,354	36,234,186
Business-type activities:					
Unrestricted Investment Earnings	45,598,476	25,793,353	11,184,788	21,746,543	44,857,379
Contributed Capital	-	-	2,397,067	-	-
Extraordinary item	-	-	-	-	(1,119,562,683)
Transfers	(27,012,806)	(27,250,287)	(26,297,739)	(27,074,408)	(32,237,731)
Total business-type activities	18,585,670	(1,456,934)	(12,715,884)	(5,327,865)	(1,106,943,035)
Total primary government	\$ 49,973,084	\$ 27,557,608	\$ 14,671,639	\$ 24,537,489	\$ (1,070,708,849)
<b>Change in Net Assets</b>					
Governmental activities	\$ 4,246,991	\$ (4,295,949)	\$ (9,405,831)	\$ 5,650,372	\$ 13,616,791
Business-type activities	(180,499,393)	(242,907,721)	(315,860,080)	(186,224,242)	(935,619,473)
Total primary government	\$ (176,252,402)	\$ (247,203,670)	\$ (325,265,911)	\$ (180,573,870)	\$ (922,002,682)

**Metropolitan Transportation Commission**  
**Fund Balances of Governmental Funds**  
**By Fiscal Year**

**Table 3**

	FISCAL YEAR				As
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General fund					
Reserved	\$ 15,989,184	\$ 25,259,128	\$ 20,309,372	\$ 15,646,616	\$ 15,185,963
Unreserved	13,244,454	1,953,023	4,133,130	5,591,303	8,831,983
Total general fund	<u>\$ 29,233,638</u>	<u>\$ 27,212,151</u>	<u>\$ 24,442,502</u>	<u>\$ 21,237,919</u>	<u>\$ 24,017,946</u>
All other governmental funds					
Reserved	\$ 53,086,955	\$ 58,213,964	\$ 48,412,626	\$ 43,938,244	\$ 44,930,618
Unreserved, reported in:					
Special revenue funds	50,193,913	35,600,753	31,072,469	35,031,655	44,556,177
Total all other governmental funds	<u>\$ 103,280,868</u>	<u>\$ 93,814,717</u>	<u>\$ 79,485,095</u>	<u>\$ 78,969,899</u>	<u>\$ 89,486,795</u>

**Metropolitan Transportation Commission**  
**Changes in Fund Balances of Governmental Funds**  
**By Fiscal Year**

**Table 4**

	FISCAL YEAR				
	2002	2003	2004	As Restated 2005	2006
<b>Revenues</b>					
Sales taxes	\$ 9,326,567	\$ 8,903,326	\$ 9,087,510	\$ 9,561,542	\$ 10,355,069
Grants - Federal	24,334,055	28,128,978	30,979,398	32,567,639	37,451,720
Grants - State	6,818,950	77,008,623	45,820,602	47,339,486	74,084,265
Project grants from local agencies	71,062,002	6,371,924	6,430,166	5,653,293	6,520,101
Investment income	4,374,608	1,764,255	1,089,784	2,790,946	3,996,455
Total revenues	115,916,182	122,177,106	93,407,460	97,912,906	132,407,610
<b>Expenditures</b>					
General government	45,502,050	48,211,613	44,957,866	38,805,441	49,944,701
Allocation to other agencies	100,528,010	112,647,623	91,680,593	81,184,603	95,764,677
Capital outlay	209,565	55,795	166,011	10,539,500	5,639,040
Total expenditures	146,239,625	160,915,031	136,804,470	130,529,544	151,348,418
Excess of revenues over (under) expenditures	(30,323,443)	(38,737,925)	(43,397,010)	(32,616,638)	(18,940,808)
<b>Other financing sources (uses)</b>					
Transfer in	35,874,919	31,377,569	29,963,801	29,374,731	35,979,668
Transfer out	(8,862,113)	(4,127,282)	(3,666,062)	(2,300,323)	(3,741,937)
Total other financing sources (uses)	27,012,806	27,250,287	26,297,739	27,074,408	32,237,731
<b>Net change in fund balances</b>	\$ (3,310,637)	\$ (11,487,638)	\$ (17,099,271)	\$ (5,542,230)	\$ 13,296,923

**Metropolitan Transportation Commission  
Government-Wide Revenues  
By Fiscal Years**

**Table 5**

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Sales Taxes	Unrestricted Investment Earnings	Total
1995	\$ 30,924,304	\$ 13,359,438	N/A	\$ 6,197,885	\$ 1,786,186	\$ 52,267,813
1996	32,561,218	20,482,740	N/A	6,985,078	2,475,587	62,504,623
1997	32,589,565	20,888,238	N/A	7,437,596	2,495,897	63,411,296
1998	142,325,259	17,980,234	N/A	7,995,846	40,482,734	208,784,073
1999	142,457,747	22,522,983	N/A	8,308,337	41,034,464	214,323,531
2000	146,570,469	31,848,657	\$ 36,779,136	9,358,589	44,447,110	269,003,961
2001	* 150,759,047	38,906,141	44,648,314	10,641,974	50,626,342	295,581,818
2002	150,127,560	44,810,738	64,472,632	9,326,567	49,973,084	318,710,581
2003	** 151,914,404	46,238,665	72,344,529	8,903,326	27,557,608	306,958,532
2004	152,936,898	47,604,184	42,343,900	9,087,510	12,274,572	264,247,064
2005	*** 256,466,211	48,732,356	44,957,468	9,561,542	24,537,489	384,255,066
2006	**** 292,999,899	66,509,695	570,172,943	10,355,069	48,853,834	988,891,440

\* Excludes \$400 million bond proceeds

\*\* Excludes \$300 million bond proceeds

\*\*\* Excludes \$300 million bond proceeds

\*\*\*\* Excludes \$2,149 million bond proceeds



**Metropolitan Transportation Commission  
Government-Wide Expenses by Function  
By Fiscal Years**

**Table 6**

Fiscal Year	General Government	Allocations to		Toll Bridge Activities	Congestion Relief	Total
		Other Agencies				
1995	\$ 12,764,615	\$ 15,981,519		N/A	\$ 8,267,619	\$ 37,013,753
1996	18,095,531	19,934,506		N/A	8,449,071	46,479,108
1997	17,115,323	35,357,207		N/A	8,644,377	61,116,907
1998	18,526,363	35,212,654	\$	52,105,544	9,890,973	115,735,534
1999	21,079,858	14,650,657		85,250,887	10,921,898	131,903,300
2000	29,698,823	185,263,198		33,982,565	11,849,116	260,793,702
2001	38,845,325	58,179,156		277,944,435	9,618,902	384,587,818
2002	45,894,987	92,787,010		347,029,659	9,251,327	494,962,983
2003	48,570,719	105,152,624		390,063,272	10,375,587	554,162,202
2004	47,237,837	81,873,193		451,929,595	10,869,417	591,910,042
2005	47,451,629	71,885,313		433,703,072	11,788,922	564,828,936
2006	63,297,372	87,731,178		617,546,375	12,401,445	780,976,370

**Metropolitan Transportation Commission**  
**Ratios of General Bonded Debt Outstanding**  
**By Fiscal Years**

**Table 7**

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund		Total	Toll Revenue	Per Toll Vehicle
2002	\$ 400,000,000	\$ -		\$ 400,000,000	\$ 142,337,259	\$ 2.97
2003	700,000,000	-		700,000,000	144,199,876	5.22
2004	700,000,000	-		700,000,000	145,176,202	5.18
2005	1,000,000,000	-		1,000,000,000	248,140,901	7.58
2006	3,149,205,000	24,148,268		3,125,056,732	280,276,856	23.95

\* No Debt prior to 2001

\*\* Bonded debt rep 99% of all outstanding debt

**Metropolitan Transportation Commission**  
**Pledged-Revenue Coverage**  
**By Fiscal Years**

**Table 8**

Tolls Revenue Bonds						
Fiscal Year	Toll Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage
2002	\$ 142,337,259	\$ 32,433,627	\$ 109,903,632	-	\$ 13,357,928	8.23
2003	144,199,876	38,836,593	105,363,283	-	20,440,983	5.15
2004	145,176,202	48,028,344	97,147,858	-	26,663,420	3.64
2005	248,140,901	54,371,891	193,769,010	-	35,373,668	5.48
2006	280,276,856	81,589,254	198,687,602	\$ 5,785,000	63,146,496	2.88

**Metropolitan Transportation Commission**  
**Miscellaneous Statistics**  
**June 30, 2006**

**Table 9**

Date of Incorporation	1970
Form of Government	Commissioners with Appointed Executive Director
Number of Commissioners	16 Voting and 3 Non-Voting Members
Number of Employees (Approved Positions)	160
Type of Tax Support	3.5 % of TDA Sales Tax
Region in Which Commission Operates	San Francisco Bay Area
Number of Counties in the Region	9
Area of Authority in Square Miles	6,980
Population of Region in Which Commission Operates	7,126,284
Number of Toll Bridges in the Region (excluding GGBHTD)	7
Traffic for All Toll Bridges (Number of Vehicles) (excluding GGBHTD)	130,495,022
Toll Revenues (excluding GGBHTD)	287,075,606
Number of Call Boxes in the Region	2,671

**Metropolitan Transportation Commission**  
**Demographic Statistics for Nine San Francisco Bay Area Counties**  
**By Calendar Years**

**Table 10**

<u>Year</u>	<u>Population<sup>1</sup></u>	<u>Per Capita Income<sup>4</sup></u>	<u>Median Age<sup>4</sup></u>	<u>School Enrollment<sup>2</sup></u>	<u>Unemployment Rate<sup>3</sup></u>
1995	6,329,800	N/A	N/A	901,650	5.46%
1996	6,375,500	N/A	N/A	920,622	4.45%
1997	6,462,400	N/A	N/A	940,608	3.78%
1998	6,566,100	N/A	N/A	955,843	3.52%
1999	6,658,500	N/A	N/A	968,039	3.02%
2000	6,764,500	30,934	36.6	975,710	2.50%
2001	6,861,500	N/A	N/A	980,475	4.06%
2002	6,936,700	N/A	N/A	972,766	6.47%
2003	6,994,500	N/A	N/A	976,025	6.46%
2004	7,009,400	N/A	N/A	974,281	5.30%
2005	7,096,575	N/A	N/A	973,751	4.49%
2006	7,126,284	N/A	N/A	971,392	4.61%

**Data Sources**

<sup>1</sup> State of California, Dept. of Finance, Demographic Research Unit

<sup>2</sup> California Department of Education

<sup>3</sup> State of California, Employment Development Department

<sup>4</sup> Bureau of Census conducts survey every ten years for the Median Age and Per Capita Income of the nine-county region as a whole.

**Metropolitan Transportation Commission**  
**Ratio of Retiree Medical Premium to Covered Payroll**  
**Last Five Fiscal Years**

**Table 11**

<u>Fiscal Year</u>	<u>Retiree Premiums</u>	<u>Covered Payroll</u>	<u>% of Covered Payroll</u>
2002	\$ 120,377	\$ 10,346,350	1.2%
2003	152,096	11,177,301	1.4%
2004	217,975	11,289,637 *	1.9%
2005	268,105	11,694,664 *	2.3%
2006	308,512	12,687,014 *	2.4%

\* From MTC records